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THE FEDERAL BUDGET AND THE CITIES

A Review of the President's Budget
for Fiscal Year 1985
October 1, 1984 to September 30, 1985

FEBRUARY 1984

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PREFACE

This report, "The Federal Budget and the Cities," examines the budget from an urban perspective. The first sections offer a general overview of the budget as well as fiscal and tax policies. Other sections deal with various federal functions, ranging from housing and community development to defense and general revenue sharing.

The budget is the single most important federal document published each year. It is the vehicle for the formulation of economic and fiscal policy and represents the most significant and comprehensive collection of the priority decisions that the United States government makes in the course of a year.

The FY85 budget comes at a time of continuing national concern with unemployment, hunger and homelessness. It also comes at a time when many cities continue to experience severe economic and fiscal hardships.

This study is prepared by the staff of the United States Conference of Mayors. The Conference, founded in 1933, represents the largest cities in America -- those with a population of 30,000 or more. Judgments made in this document are based on policies adopted by the Mayors.

John J. Gunther
Executive Director
U.S. Conference of Mayors

February 3, 1984.

OVERVIEW

For the fourth consecutive year the Administration's budget request contains reductions in a wide range of urban programs and benefits to low income people.

Under the Administration's budget, total domestic spending is slated to be cut by $62.3 billion between FY85 and FY89. These cuts are offset by increases in defense, international and other programs, so that total federal outlays continue to increase.

The budget states that domestic spending, excluding entitlements, has been cut by 25 percent in real terms since 1978. If the FY85 budget is approved, with its out-year projections, the total reduction in domestic outlays by FY89 would be over 40 percent.

Grants to state and local governments would continue at roughly the same overall level as in FY84, although many key urban programs are being funded below their authorized levels. This is also below the dollar levels which prevailed in FY81 and before. Moreover, the drop in real grants, after accounting for inflation, is significant -- nearly 50 percent since FY80. The result of additional reductions in state and local grants will be further layoffs, service cuts and tax increases at the local level and the continued inability of cities to meet the basic needs of their citizens. These problems pervade cities of all sizes and geographic regions.

The budget proposes reductions in a variety of infrastructure programs, including public transportation, economic development, housing and environment programs. In addition, proposed tax changes to curb the use of industrial development bonds (IDBs), sale-leaseback transactions and service contracts will hamstring the ability of cities to finance infrastructure projects on their own. Ironically, all of this is proposed at a time when the infrastructure needs of cities are great and the private economic recovery so desperately needed in cities is dependent on a strong public infrastructure.

The Conference of Mayors is concerned that there are no proposals for any major employment initiatives in this budget, despite predictions of continuing high unemployment for the next three years. Moreover, some existing training and employment efforts are proposed to be reduced below current levels, including the Job Corps, dislocated worker programs, trade adjustment assistance, and national employment programs serving particular disadvantaged groups.

The beginning of a recovery from the deepest recession since World War II is encouraging. However, many cities have not shared in that recovery, and for many city residents the recession is still a grim reality. Continuing depression-level unemployment in urban areas is the primary cause of the growing national tragedy of hunger, homelessness and poverty. We are deeply troubled that the FY84 budget proposes no new programs to address emergency needs of our lowest income families.

The federal budget for FY85 is the largest ever, proposing budget authority of $1.007 trillion, outlays of $925.5 billion, and a deficit of $180 billion. Deficits in the $200 billion range are expected to persist into the forseeable future.

The Administration blames these high deficits on domestic spending. However, the entire FY85 deficit can also be accounted for by the effects of the 1981 tax cut (which has resulted in a revenue loss in FY85 of $165 billion), the rise in defense spending ($35 billion), and the rise in the deficit due to unemployment ($39 billion due to unemployment in excess of six percent).

In this budget, the Administration continues a major shifting of priorities toward defense and away from domestic spending, as shown in Table 1.

In its FY85 budget, the Administration makes clear that to achieve its long-run goals, it will be necessary to: (1) prevent any real benefit increases or caseload expansion in means-tested entitlements, despite a rising population of those in poverty; (2) oppose the enactment of any additional domestic programs for the rest of the decade, including infrastructure assistance, a national industrial policy or expansions in education, health or other social programs; and (3) reduce funding levels for other domestic programs by consistently constraining them below the inflation rate, resulting in continued erosion in real program levels.

The FY85 budget lays out several established trends which will serve to restrain urban programs in the future: the rapid increase in defense spending and debt service, increases in entitlement programs, and continuing resistance to any tax increase. Although the Administration's budget calls for no tax increases, the President does call for a bipartisan Congressional and Executive Branch effort to come up with a mix of tax increases and expenditure cuts to reduce the deficit. The budget also calls for a Treasury effort to study and make recommendations for overhauling the tax system.

The Conference of Mayors is deeply concerned about proposed reductions in several important urban programs:

- Housing: A 35 percent reduction in funds for assisted housing coupled with almost complete reliance on a housing voucher program to provide housing assistance for low and moderate income persons.

- Economic Development: Elimination of the Economic Development Administration (EDA).

- Environment: Elimination of all key Department of Interior programs to aid urban environmental quality, including urban parks funds, land and water conservation fund state and local grants, and the historic preservation grant program.

- Public Transportation: A 35 percent reduction in public transportation operating assistance and a funding level for the public transportation block grant almost $600 million below the authorized level.

- Energy: Deep cuts in energy conservation, weatherization and renewable resource programs, reduced some 65 percent over the FY84 level.

- Education: Major cuts in postsecondary programs serving primarily lower income students, including zero funding for Supplemental Educational Opportunity Grants, Direct Loans, Federal Capital Contributions, State Student Incentive Grants and a 50 percent cut in Special Programs for the Disadvantaged.

- Juvenile Justice: Elimination of the juvenile justice and delinquency prevention programs.

In regard to tax policy, the budget proposes strict volume caps and other restrictions on industrial development bonds, no continuation of mortgage revenue bonds, sharply curtailed sale-leaseback transactions and other arrangements between cities and the private sector. All of these proposals will reduce the capacity of cities to use their bonding authority to undertake important infrastructure projects. In addition, the Administration continues to propose a tuition tax credit for private school tuition, which threatens to undermine the public school systems in our cities.

We are pleased once again at the Administration's inclusion of its enterprise zone proposals and continue to hope that this proposal will be enacted soon to help stimulate employment in distressed urban areas. The Conference of Mayors also commends the Administration for the funding increases for highway and bridge programs of the Department of Transportation, hazardous waste programs of the Environmental Protection Agency, the proposed creation of a new justice assistance grant program and full funding of the rental rehabilitation and housing development grant programs authorized by Congress last year.

The proposed budget, however, contains many eliminations and reductions of programs which serve our neediest urban citizens, at a time when new efforts are desperately needed:

- Reductions in food stamps and nutrition programs, including child nutrition programs and the Women, Infants, and Children (WIC) feeding program, and no funding for emergency food and shelter programs.

- Elimination of the Community Services Block Grant and the Legal Services Corporation.

- Reductions in Aid to Families with Dependent Children, totaling $633 million, and elimination of the Work Incentive Program.

- Reductions of over $1 billion in Medicaid benefits for low income persons.

The President's Task Force on Food Assistance recommended modest restorations in the food stamp program and continuation of the WIC program at current levels. None of the Task Force's recommendations is contained in the President's request.

Poor and middle income workers and families would suffer critical losses in federal assistance under the FY85 budget, on top of major cuts already enacted. We do not believe further reductions in FY85 would be humane or equitable.

Major action is required to reshape the priorities reflected in this proposed budget. An election year should offer no excuse for Congress to relinquish its responsibility to the people of America's great cities.

PERCENTAGE COMPOSITION OF FEDERAL BUDGET OUTLAYS[a]

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
Defense	23	24	25	26	28	29	31	33
Payments to Individuals	49	50	51	48	47	47	---	---
Aid to State and Local Governments (excluding aid to individuals)	10	8	7	6	6	6	5	5
Net Interest	9	10	12	11	13	13	13	12
Other	9	7	5	6	5	4	4	3

[a] Percentages may not add to 100 due to rounding.

Source: U.S. Budget, FY85, 9-61 and H-17.

BUDGET PROCESS

The Congressional Budget and Impoundment Control Act of 1974 (PL 93-344) established a process whereby the Congress writes its budget. House and Senate Budget Committees develop concurrent budget resolutions, which, when adopted, give Congress the overall guidelines for its budget. The first budget resolution, which must be adopted by May 15, sets targets to guide the Congress as it acts on particular tax and appropriation bills. The second and, in some cases, subsequent budget resolutions set a limit on total spending and a floor under revenues.

The deadlines for the congressional budget process in 1984 are as follows:

February 1, 1984	President submits his FY85 budget.
March 15	Committees submit requests to Budget Committees.
April 15	Budget Committees report first budget resolution for FY85 and the third budget resolution for FY84 to the House and the Senate.
May 15	Congress completes action on the budget resolution and reconciliation directions.
	Deadline for committees to report authorization bills.
	Appropriations may be considered only after this date.
August	Action expected to be completed on reconciliation bill.
September 10	Deadline for the Congress to complete action on appropriation bills.
September 15	Congress completes action on the second budget resolution.
October 1	Fiscal Year 1985 begins.

Although these dates are supposed to be deadlines for congressional action on the budget, most of the dates have been ignored or violated in recent years. For example, a continuing resolution has usually proven necessary as a result of tardy congressional action on appropriation bills.

Again last year, the Congress made use of the "reconciliation" process whereby the Budget Committees direct the other standing committees of the Congress, as part of the first resolution, to make cuts or revenue changes of a certain size in their programs. The specific reductions made by the standing committees are then packaged and consolidated by the budget committees into one omnibus reconciliation bill. The reconciliation procedure introduces significant inflexibility into the budget process at an early stage. The first resolution becomes a binding ceiling on spending, rather than a series of targets. The committees may make substantive changes in law as part of the reconciliation bill, bypassing the normal legislative process. During the last three years, block grants and other authorizing changes have been enacted as part of the reconciliation process.

Based on past experience with the Budget Committees and the congressional budget timetable, the Budget Committees are not likely to add money to the budget for urban programs unless the funding is requested by the standing committees of the Congress by the March 15 deadline. The first budget resolution is of vital importance. Unless funding for new and expanded urban programs is included in the first resolution, it will be difficult to win congressional approval of appropriations and authorizing legislation. This is because the spending targets of the first resolution have usually been interpreted as ceilings on spending, an inflexibility which is made more acute by congressional use of the reconciliation process.

The congressional budget procedures also impose constraints on Presidential impoundments. A decision by the Administration to withhold funds from a program must be reported to the Congress in a special rescission message and approved by both the House and Senate. If the Congress does not approve the proposed rescission within 45 legislative days, the funds may be spent. If the President would like to defer spending until a later point in the fiscal year, he may do so unless one house of Congress disapproves the deferral. Historically, few deferrals have been disapproved.

This year, the President has proposed that he be given the line-item veto, i.e., the authority to veto one or more line items in appropriation bills. Currently, the President must veto the entire bill, without change. If the Congress grants the President the line-item veto, there could be major realignment of budgetary powers between Congress and the Executive Branch. The President would have much more control to determine levels of spending in many program areas, including most urban programs. Only about one third of the budget -- that portion considered controllable -- would be subject to the line-item veto. This would include most urban programs but not entitlement programs, interest payments and much of defense spending, which are considered relatively uncontrollable for budget purposes.

In addition, the President continues to seek a Constitutional Amendment requiring a balanced federal budget. That would reduce the flexibility of Congress to formulate economic and fiscal policy and would very likely reduce the effectiveness and power of the Budget Committees.

ECONOMIC AND TAX POLICY

The federal budget is directly influenced by economic conditions. The economic assumptions underlying the federal budget determine to a great extent the size of the deficit, revenues, interest costs and expenditures for unemployment compensation, welfare, food stamps and other social programs.

Likewise, the federal budget profoundly affects the performance of the economy. Federal outlays now account for over 24 percent of the Gross National Product (GNP) and the federal debt is equal to 46 percent of the GNP -- the highest level since World War II. Given the magnitude of the federal sector, changes in tax or spending policy can have a significant effect on GNP growth, unemployment, inflation and interest rates.

ECONOMIC ASSUMPTIONS IN THE BUDGET

The Administration's economic assumptions are shown in Table 1. The Administration is projecting the unemployment rate to remain at current levels through calendar 1985 and to stay above seven percent until 1987.

The economic recovery is expected to continue, albeit at a slower pace, with real GNP increasing 4.5 percent this year, and four percent annually through 1988. The somewhat optimistic economic assumptions for 1984 are justified on the basis of an expected upturn in state and local government purchases and an increase in business investment.

The budget also assumes a slight moderation in interest rates, with the rate on long-term Treasury bills expected to decline to 10.3 percent in 1984.

DEFICITS

The federal deficit is expected to total $180 billion in FY85, $177 billion in FY86 and $181 billion in FY87. These deficit estimates are predicated on the assumption that all the President's proposed spending reductions and tax reforms will be adopted. If this does not occur, the deficits would be considerably higher.

There is no prediction of a balanced budget anytime in the forseeable future. In the FY85 budget, the President renews his call for a Constitutional Amendment mandating a balanced federal budget.

The deficits of FY82-87 are the largest ever recorded in the U.S. In comparison to GNP, the deficits are the highest recorded since World War II. There is significant concern that deficits of this magnitude will crowd out private investment in the capital markets, raising interest rates for business and for state and local governments.

Table 2 compares the FY85 deficit with the effects of the tax cut and other policies. As can be seen, the entire deficit can be attributed to the increase in defense spending, the effects of unemployment on revenues and outlays and the cut in income taxes. The revenue effect of the tax cut, in and of itself, is nearly the size of the FY85 deficit.

FEDERAL SPENDING

Total federal outlays are scheduled to rise $71.7 billion in FY85, from $853.8 billion in FY84 to $925.5 billion in FY85. Over half of the increase can be accounted for by the rise in defense spending of $34.5 billion and the increase in interest costs of $8.1 billion. In addition, there are increases in space and international programs.

Altogether, the budget proposes cuts of $19 billion in FY85 and $151 billion over the next four years in a wide range of benefit and grant programs. Outlays for domestic programs, excluding entitlements, have been cut by 24 percent in real terms since FY81 and would decline by 40 percent under the FY85 budget. Relative to GNP, domestic discretionary spending would shrink to four percent of GNP, with further declines recommended, so as to return to the three percent which prevailed in 1954.

The Administration's budget makes it clear for the first time that the fiscal goal of the Administration is to restore the 1971 status quo with respect to the proportion of the budget and GNP claimed by domestic spending. To achieve this objective, the budget states that it will be necessary to (1) prevent any real benefit increases or caseload expansion in means-tested entitlements; (2) oppose the enactment of any additional domestic programs for the rest of the decade, unless programs of equal size are eliminated; (3) reduce funding levels for other domestic programs by constraining any increases below the inflation rate, so as to erode real program levels, and (4) ensure the continuation of low inflation and real GNP growth.

In addition, the FY85 budget lays out the pressures which will continue to constrain urban programs, namely, the rapid increase in defense spending and debt service, continuing increases in entitlement programs and the necessity of resisting any tax increase. According to the Administration, these factors, taken together, will require "the steady withering of other domestic spending."

GRANTS TO STATE AND LOCAL GOVERNMENTS

Total grants to state and local governments are projected to total $102.2 billion in FY85. This figure includes many payments to individuals channeled through state and local governments. Excluding these benefits, total federal grants to states and localities would total $54.1 billion in FY85, well below the dollar level of FY80. In real terms, after accounting for inflation, the drop in federal grants is nearly 50 percent over the five year period. Table 3 shows the diminution of the federal role in aiding state and local governments in recent years.

TAX POLICY

The Administration's FY85 budget shows a continuing shift in the federal revenue structure, initiated with the enactment of the Economic Recovery Tax Act (ERTA) in 1981. Corporate income taxes have declined from 15.4 percent of total federal revenues in FY77 to an estimated 10.3 percent in FY85. Estate and gift taxes have fallen from 2.1 percent of revenues to 0.7 percent over the corresponding period. At the same time, social security taxes continue to escalate, climbing to 36 percent of total revenue in FY85. Thus, the shift is toward a greater direct tax burden for low and middle income workers.

All mention of a contingency or standby tax has been dropped from this budget. However, the Administration has requested that the Treasury Department study a major overhaul of the individual income tax, including a flat tax and consumption tax, and report to the President by the end of the year. The Administration budget proposes several tax changes, including the following:

- Mortgage Revenue Bonds: The Administration proposes to end all authority for state and local governments to issue single-family mortgage revenue bonds. Such authority expired at the end of last year. The budget does not propose to extend this "sunset" date.

- Industrial Development Bonds: The Administration's budget calls for the enactment of restrictions on IDB's to include state-by-state volume limits, tighter arbitrage limits. and a limit on the volume of IDB's which could benefit any one user.

- Tax-Exempt Leasing: The budget proposes tight limits on sale-leaseback deals and other arrangements between the private sector and state and local governments.

- Tuition Tax Credit: Once again, there is a proposal to provide taxpayers a nonrefundable credit for 50 percent of tuition expenses paid to private elementary and secondary schools. The credit would be $100 for each dependent in 1984, $200 in 1985 and $300 thereafter for taxpayers with adjusted gross incomes up to $60,000 (with a phasedown between $40,000 and $60,000).

- Enterprise Zones: The budget proposes the adoption of an enterprise zone program to create up to 25 zones annually for each of three years. In these areas, a variety of federal tax incentives would be offered, including employment tax credits, additional investment credits, the elimination of capital gains taxes and the continued availability of small issue industrial revenue bonds.

- Tax Incentives for Higher Education: In the budget, the Administration renews its call for a proposal to exclude from taxation any earnings from special savings accounts

established to pay the college expenses of dependent children. The maximum annual contribution would be $1,000 per child.

- Health Insurance: The Administration proposes to impose income and social security taxes on employer contributions to health insurance in excess of $2,100 per year for a family plan and $840 a year for a single plan. This proposal is expected to raise about $4 billion in additional revenue.

- Jobs Tax Credit: The budget proposes to extend beyond December 31, 1984, the targeted employment tax credit.

- Women's Initiative: The Administration proposes to extend current provisions governing Individual Retirement Accounts (IRA's) so as to allow non-working spouses to contribute the full $2,000 annually to an IRA. In addition, the child care tax credit would be expanded for low income families and all non-profit day care centers would become tax-exempt.

- Unemployment Insurance: The current federal-state unemployment insurance system would be expanded to cover all railroad employees.

- Mortgage Investment: Changes in tax law are proposed to permit the development of Trusts for Investment in Mortgages (TIM's). This is expected to facilitate the expansion of the private secondary mortgage market.

- Petroleum Overcharge Fund: The Administration proposes the establishment of a special fund at the Department of Health and Human Services, which will receive all dollars recovered from petroleum pricing and allocation violations, where the overcharged customers cannot be identified and repaid. The fund will be used to finance low income energy assistance and weatherization programs.

CREDIT ACTIVITIES

The Administration's budget proposes a continued reduction in federal credit activities. Direct loans would be reduced by $6.2 billion in FY85, including the loan activities of the Small Business Administration, Section 202 housing loans for elderly and handicapped housing, student financial assistance, FHA loans and others. Direct loan obligations would total $31.7 billion in FY85, down from $43.4 billion in FY82.

New loan guarantee commitments would remain at approximately the same level, rising slightly from $97.4 billion in FY84 to $98.8 billion in FY85.

Off-budget credit activities of the Federal Financing Bank (FFB) would be reduced substantially by more than $12 billion, with new acquisitions to drop from $24 billion to $11.9 billion. The FFB expands other credit activities of the federal government by purchasing the securities and guaranteed debt of various federal agencies.

TABLE 1
ECONOMIC FORECAST

	1982	1983	1984	1985
Gross National Product[a]	(1.7)	6.1	4.5	4.0
Consumer Price Index[b]	6.0	3.0	4.4	4.6
Unemployment Rate[c]	9.5	9.5	7.8	7.6
Interest Rate, 10 year Treasury Notes	13.0	11.1	10.3	9.2

[a] The percentage increase in real GNP in constant 1972 dollars, fourth quarter over fourth quarter.

[b] Percentage change, year over year.

[c] Total annual average.

Source: U.S. Budget FY85, pp.2-10.

TABLE 2
FY85 DEFICIT
(dollars in billions)

FY84 Deficit	$180.4
FY84 Increase in DOD Spending (Outlays)	34.5
Effect of Unemployment[a]	39.0
Tax Cut[b]	165.0
TOTAL	$238.5

[a] Difference between the Administration's projected unemployment rate of 7.5 percent and 6.0 percent, a conservative estimate of full employment.

[b] This is the tax cut enacted in 1981 as part of the Economic Recovery Act (ERTA).

TABLE 3

COMPOSITION OF GRANTS-IN-AID OUTLAYS
(dollars in billions)

	FY80	FY81	FY82	FY83	FY84	FY85
Total Grants to State and Local Governments	$91.5	$94.8	$88.2	$93.0	$98.7	$102.2
Payments to Individuals	34.2	39.9	40.7	44.8	45.9	48.1
Capital Investment	22.5	22.1	20.5	20.5	23.6	25.6
General Purpose Grants[a]	8.6	6.9	6.5	6.5	6.8	6.9
Broad Based Grants[b]	10.3	10.3	11.5	12.9	13.1	13.2
Total Grants Other than Payments to Individuals	57.3	54.8	47.4	48.2	52.9	54.1

[a] Primarily general revenue sharing.

[b] Includes Community Development Block Grant (CDBG) funds; thus, CDBG funds are double-counted under capital investment funds and broad-based grants.

Source: U.S. Budget FY85, Special Analysis H, pp.H-17 and H-19.

AGING

The Administration's FY85 budget request of $773.4 million for the Administration on Aging (AoA) represents a reduction of $16 million from the FY84 appropriation level. The budget reflects the Administration's proposed consolidated state grant for elderly nutrition and support services at nearly the FY84 levels, and the near elimination (78 percent reduction) of the Title IV Training and Research program. The FY85 budget request also assumes the transfer of the food commodities program from the Department of Agriculture (USDA) at the FY84 level of $116 million.

While the FY85 budget for AoA represents only a slight reduction from FY84 funding levels, the cuts are significant in continuing the trend begun in FY82 of seeking reductions in federal funds for nutrition and support services for older Americans. Previously, gradual annual increases were provided to compensate for erosion of program funding due to inflation and increases in the number of older persons. More importantly, these cuts in Older Americans Act programs become more critical when combined with the impact on older persons of proposed budget reductions in other programs specifically for the elderly, such as Medicare and elderly housing, as well as other federal programs which benefit the elderly. Other sections in this document describe in greater detail proposed reductions in food stamps, Medicaid and health services, transportation, the elimination of the Community Services Block Grant, and other proposed budget reductions which impact the urban elderly.

OLDER AMERICANS ACT

The FY85 budget requests $760.7 million for a proposed consolidated Title III Grants to States for nutrition and support services for persons aged 60 and older. The Administration's FY85 budget includes as part of the consolidated grant $116 million from the USDA food commodities program and assumes the transfer of the program to the Administration on Aging an action which Congress has rejected in previous years. The Act, up for reauthorization in 1984, also authorizes funds for research and training, older workers, Indians, and the Federal Council on Aging.

Title III Grants to States

The FY85 budget reflects the Administration's proposed legislation to consolidate a number of existing programs as part of a block grant to states to finance such services as transportation, in-home and other support services, and state administrative expenses. Currently, these programs have separate funding and provide states with the flexibility to transfer up to 20 percent of funds among several of the programs.

- State Agencies on Aging: The FY84 funding level for state administration, advocacy, and technical assistance is $22.2 million. States are responsible for the development of a state plan and for designating local Area Agencies on Aging (AAAs).

- Support Services and Senior Centers: The FY84 funding level for a wide range of community support services is $241 million. These services -- including counseling, information and referral, crime prevention, and outreach -- assist an estimate 9.1 million older persons, nearly half of whom are low income.

  Services are funded through a network of nearly 700 local AAAs, usually non-profit agencies, councils of governments and county governments. Eighteen cities have administrative responsibilities for their AAA.

- Nutrition: Currently there are three nutrition programs with their own funding. The FY84 funding levels are: congregate meals ($241 million), home-delivered meals ($62 million) and the USDA food commodities ($116 million). The budget assumes that increased contributions from participants (currently at $117 million) and other administrative changes will result in an increase of six million meals, bringing the total to 219 million meals served annually.

Title IV: Research, Training, and Discretionary Program

The FY85 budget request of $5 million represents a $17.2 million reduction (78 percent) from FY84 levels for the consolidated research, training and discretionary program. The proposed FY85 level would nearly eliminate the program which was funded in FY80 at $54.3 million. This discretionary program has funded a number of training programs, facilitated information gathering and dissemination and technical assistance. All of these services have aided many local communities in developing their capacity to meet the needs of increasing numbers of older and frail residents. The proposed Title IV cuts further exacerbate the elimination in FY82 of the National Clearinghouse on Aging. Because of the shifting of federal roles and responsibilities to states and local communities, local governments have an increasing need for information and training in aging services.

OLDER WORKERS

The Administration's FY85 budget requests $317 million for the Senior Community Services Employment Program, the same level as for FY84. This program, authorized by Title V of the Older Americans Act and administered by the Department of Labor (DOL) through eight national contractors which receive 78 percent of the funds, and state governments which receive the balance. This program provides 62,500 part-time work opportunities to unemployed low income persons aged 55 and older. In FY85 the amounts available for grants to states will be allotted using the formula provided for grants for other services for older Americans under Title III of the Act.

OLDER VOLUNTEERS

The FY85 budget request of $87.8 million essentially maintains the FY84 program levels of three ACTION-administered volunteer programs for persons aged 60 and older. These are:

- Retired Senior Volunteer Program (RSVP): $27.4 million would provide community volunteer opportunities to nearly 368,000 older citizens through grants to public and non-profit organizations in local communities in areas of health, nutrition, education, problems with troubled youth, refugee assistance and other community services.

- Senior Companion Program: $12 million would support nearly 4,400 low income elderly in voluntary efforts to provide long term care to approximately 15,300 frail and elderly persons.

- Foster Grandparents Program: $48.4 million would provide nearly 18,350 low income elderly with volunteer activities to provide companionship and guidance to approximately 63,000 mentally, physically or emotionally handicapped children.

ELDERLY HOUSING

The Administration's FY85 budget proposes new loan authority of $500 million for the Section 202 Loan Program, Housing for the Elderly and Handicapped -- a reduction of $166.4 million (25 percent) from FY84 levels for direct loan obligations. The Administration's proposal would provide long term loans (limited to 9.5 percent interest) to non-profit sponsors for new construction of elderly/handicapped housing, but at a reduced level of 10,000 new units in FY85, compared to 14,000 units in FY84 and 17,000 units in FY80. These Section 202 units are administered in conjunction with the Section 8 low income housing assistance program, and are required to ensure a range of necessary support services for low income occupants. The Budget Reconciliation Act of 1981 increased the rent payment of assisted housing tenants from 25 percent to 30 percent of income phased in over a five year period. (See the Community Development and Housing section of this document for additional housing program details.)

HEALTH

- Medicare: The FY85 budget requests $69.7 billion, an increase of $8.6 billion over FY84 to finance health insurance to approximately 28 million persons aged 65 and older (98 percent of all elderly). The budget assumes a number of reductions, such as a freeze on physician charges and a delay in benefit eligibility, to reduce costs ($939 million), and to increase out-of-pocket contributions ($503 million).

- Research: The FY85 budget requests a number of programs to increase research related to older persons, including $33 million for the National Institutes of Health's coordinated research on Alzheimer's disease.

SUMMARY

Other sections within this publication discuss Social Security and Medicare, as well as programs such as transportation, community development, food stamps, low income energy assistance and social services which are not targeted specifically to the elderly. However, reductions and administrative changes in these programs will have a significant impact on the elderly, due in large part to the elderly's high level of participation in them. In 1980, 15.1 percent of the elderly were classified as poor. As documented by the House Select Committee on Aging, there are a number of elderly participants in many of these programs, including:

- Medicaid: Over three million older persons, most of whom are over the age of 75, are Medicaid recipients. Nearly 15 percent (2.82 million) of the Medicaid participants are elderly and account for nearly one-third of Medicaid expenditures.

- Food Stamps: Nearly 2.5 million individuals, 10 percent of all food stamp recipients, are elderly persons. Many more elderly are eligible for assistance but are reluctant to participate, in part due to a "welfare" stigma.

- Social Services Block Grant: Nearly one million older persons receive Title XX benefits, including 400,000 elderly who receive Supplemental Security Income.

- Other: Many other federal programs benefit or include large numbers of elderly participants: legal services (187,000 older participants); housing (nearly 40 percent of public housing residents are elderly); community services (1.5 million low income elderly participants); low income energy assistance (45 percent of participants are age 65 or older).

Each day approximately 5,000 persons celebrate their 65th birthday for a net increase of nearly 600,000 elderly persons each year. At the present time there are over 28.5 million Americans aged 65 and older, nearly two-thirds of whom live in urban areas, with half of these in central cities. City governments are in a period of transition regarding services for older residents and are being called upon to assume a larger role in the provision of support services at a time of reduced public resources.

ADMINISTRATION ON AGING BUDGET AUTHORITY
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
Title III						
Grants to States	$---	$---	$---	$---	$---	$760.7
-State Agency[a] Activities	22.5	22.7	22	22	22	---
-Support Services and Centers	247	252	241	241	241	---
-Nutrition:						
Congregate	320	295	287	319	321	---
Home Delivered	---	55	57	62	62	---
USDA Food Commodities	(72)	(87)	(93)	(107)	(116)	---
Totals [b]	661.5	711.7	700	751	761	760.7
Title IV Research, Training, and Discretionary Projects [c]	54.3	40.5	22.2	22.2	22.5	5.0
Indians	6	6	5.7	5.7	5.7	7.5
Federal Council on Aging	.5	.5	.2	.2	.2	.2
National Clearinghouse	2	1.8	1.7	---	---	---
AoA Net Total With: USDA Nutrition [b]	724.3	760.5	729.8	779.1	789.4	773.4
Title V Older Workers	267	277	277	282	317	317
AoA Net Total With: DOL Older Worker	$991.3	$1037.5	$1006.8	$1061.1	$1106.46	$1090.4

[a] The FY85 budget includes the Administration's proposal to consolidate state administration, nutrition and support services and assumes the transfer of the food commodities program currently administered by the Department of Agriculture (USDA) to the Administration on Aging.

[b] Some discrepancies in totals due to rounding.

[c] For FY81 and previous years, the totals for Research, Training and Projects were broken down into the categories of Training, Research, and Discretionary Projects, and Multidisciplinary Centers.

Source: U.S. FY85 Budget, p. I-K42 and D/HHS press release 2/1/84, p. 64.

ARTS AND HUMANITIES

NATIONAL ENDOWMENT FOR THE ARTS

The FY85 Administration budget request for the National Endowment for the Arts (NEA) is $143.8 million. Although the Administration's request is 15 percent greater than its FY84 budget request of $125 million, it represents an $18 million (11 percent) decrease from the FY84 appropriation of $162 million approved by the Congress and signed by the President on November 4, 1983.

NEA FUNDING, FY80-FY85
(dollars in millions)

FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
$154.4	$158.6	$143.4	$143.8	$162.0	$143.8

Sources: For FY80-FY82 data, National Endowment for the Arts History of Authorization and Appropriations through FY82, p.4. For FY83, FY84, and FY85 budget request figures, Congressional Arts Caucus, Arts Updates, January, 1983, and February 1, 1984; and for FY85, National Endowment for the Arts, Press Release, February 1, 1984.

The programs of the National Endowment for the Arts encourage individual and institutional development of the arts; preservation of the nation's artistic heritage; widespread availability of the arts; leadership in the arts; and stimulation of non-federal sources of support for the arts.

The FY85 budget request of the Administration is divided into four major areas:

- $102.6 million for program funds, including funds for state arts agencies, regional arts groups, and a variety of programs in areas such as dance, design arts, folk arts, media arts, museums, theatre, and others, most of which have relevance to cities. The Design Arts program, for example, offers project grants and conducts advocacy efforts in the fields of architecture, landscape architecture, urban design and planning, and in industrial and graphic design. It sponsors matching grants of up to $100,000 for design competitions, which cities can use to promote excellence of design in public buildings and spaces.

  The Administration's request for FY85 is a decrease of $16 million, about 14 percent, from the FY84 appropriated funds of $118.9 million in program funds.

- $9 million for the matching of private donations to the Endowment from the NEA's Treasury Funds. Funds donated to the NEA and accepted by it are matched an equal amount by the Treasury Fund, and resulting grants made from the fund are matched again by recipient organizations.

  The $9 million requested by the Administration for FY85 is the same as the congressional appropriation of FY84.

- $18.5 million of the $143.8 million FY85 budget request is earmarked for NEA Challenge Grant funds. Challenge Grants are made through the Test Program of Support for Local Arts Agencies to local and state arts agencies to help increase local support of the arts on a continuing basis and to set in place on-going processes for arts development in communities. The Test Program requires a match of $3 in new or increased non-federal dollars for each federal dollar awarded.

  The Administration's FY85 request for Challenge Grant funds is $2.5 million, or 12 percent less than the FY84 appropriation, which was $21 million.

- The final portion of the Administration's request is $13.7 million in administrative funds, an increase of $.6 million over the FY84 appropriation of $13.1 million.

NATIONAL ENDOWMENT FOR THE HUMANITIES

The Administration's FY85 budget request for the National Endowment for the Humanities (NEH) is $125 million, a reduction of $15 million (11 percent) from the FY84 appropriation of $140 million.

NEH FUNDING, FY80-FY85
(dollars in millions)

FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
$150	$151	$131	$130	$140	$125

Source: Office of Public Affairs, National Endowment for the Humanities, February 1, 1983, interview; and National Endowment for the Humanities, Press Release, February 1, 1984, and interview.

Like the National Endowment for the Arts, NEH's budget is divided into four major categories: regular program funds, support for the Treasury Fund, Challenge Grants, and administrative expenses. The Administration's FY85 request calls for:

- $80 million in regular program funds, a decrease of $17.7 million (18 percent) from the $97.7 million appropriated for FY84.
- $11 million in Treasury funds to match private gifts for NEH projects on a one-to-one basis. This is a decrease of $7 million, or 39 percent, from the $18 million FY84 appropriation.
- $21 million for Challenge Grants, which require three non-federal dollars for each federal dollar in support of humanities institutions, an increase of $9.5 million, or 83 percent, from appropriations of $11.5 million for this category in FY84.
- $13.4 million for administrative expenses, a five percent increase of $725,000, in the FY84 appropriation of $12.75 million.

Decreases in the regular program funds of the National Endowment for the Humanities as requested by the Administration, would have a negative impact upon many areas of importance to cities, including humanities instruction in elementary and secondary schools; projects and humanities programs for nontraditional learners; summer seminars on the humanities for secondary teachers; basic research on the humanities in educational institutions, many of which are in cities; and humanities projects in museums, historical organizations, and libraries.

INSTITUTE OF MUSEUM SERVICES

In 1982, the Institute of Museum Services (IMS) was transferred from the Department of Education and established as an entity within the National Foundation on the Arts and Humanities. The IMS assists museums of all sizes and disciplines in their effort to maintain, increase, and improve their services to the public.

In 1982, the Administration proposed to eliminate the IMS, requesting a rescission of FY82 funds ($11.5 million) for phasing out the Institute altogether. The Congress, however, voted an appropriation of $10.8 million for the Institute, which was supplemented by $720,000 in unspent funds from FY82, totalling $11.5 million for the IMS in FY83.

The FY84 Administration request for the IMS was $11.5 million, which the Congress increased in FY84 appropriations to $20.15 million, an increase of 75 percent.

The Administration has, however, requested $11.6 million in FY85 for the IMS, which would sharply cut back its funds from the FY84 appropriation.

COMMUNITY DEVELOPMENT AND HOUSING

COMMUNITY DEVELOPMENT

The proposed FY85 Department of Housing and Urban Development (HUD) budget would maintain funding for the basic Community Development Block Grant (CDBG) program at the same level as FY84 appropriations. According to HUD, approximately 790 cities and counties will have entitlement status in FY84, an increase of 55 over FY83.

The FY85 budget proposes level funding for the Urban Development Action Grant (UDAG) program in the amount of $440 million. HUD does, however, expect $50 million in recaptured funds to be added to the appropriation for a total of $490 million.

HUD still proposes the Rental Rehabilitation Grants program but with no new appropriation in FY85. The budget estimates that a $300 million transfer from the Annual Contributions for Assisted Housing will provide grant obligations of $150 million in FY84 and FY85.

Community Development Block Grants

The FY85 budget proposes a total of $3.468 billion for CDBG spending. This is equal to the FY84 level but less than the FY83 appropriation of $4.456 billion, which included $1 billion provided in the Emergency Jobs Appropriations Act. Essentially, the entire $1 billion was obligated in FY83.

In the FY85 budget, HUD proposes to rescind, through the appropriations process, the lump sum drawdown provision for rehabilitation activities under CDBG.

Once the Secretary's Discretionary Fund of $56.5 million is deducted from the CDBG appropriation, the balance is split on a 70/30 basis for entitlement and nonentitlement categories, respectively. According to HUD, approximately 790 cities and counties will have entitlement status in FY84. This is an increase of 55 over FY83.

The Secretary's Discretionary Fund is used for making grants to Indians, U.S. Territories and for providing technical assistance in carrying out the purpose of the Act.

The Housing and Urban-Rural Recovery Act of 1983 requires that at least 51 percent of all CDBG funds must be used to support activities that benefit persons of low and moderate income.

Urban Development Action Grants

The FY85 budget proposes an appropriation of $440 million for UDAG which is level with the FY84 appropriation. Together with an estimated $50 million of recaptured funds, HUD projects announcements of $490 million in FY85.

Section 108 Loan Guarantees

HUD again proposes to eliminate the Section 108 loan guarantee program. However, for FY84 the Congress did enact a level of $225 million in loan commitments.

Urban Homesteading

The budget for FY85 proposes an appropriation of $12 million which is equal to the FY84 level. This amount includes $1 million for continuation of a feasibility demonstration to assist state and local governments in purchasing one- to four-family properties. HUD is proposing the use of $1 million for implementation of this demonstration in FY84. HUD also proposes that $3 million of this appropriation be used to continue the multifamily demonstration at the FY84 level of $3 million. The number of cities anticipated to participate in this program in FY85 is 142, 10 more than last year.

Section 312

The FY85 budget proposes to terminate this program. In addition, HUD proposes to transfer the assets and liabilities of the 312 program to the Revolving Fund (liquidating programs). HUD estimates that $132 million in repayments, carryover balances and loan recoveries will be available for new loans in FY84.

Rental Rehabilitation Grants

The FY85 budget proposes no new money for this program. However, HUD has proposed to transfer $300 million in FY84 from the Annual Contributions for Assisted Housing to implement the Rental Rehabilitation program. This will be used to make grant obligations of $150 million in each of FY84 and FY85.

This program is authorized under the 1983 Housing and Urban-Rural Recovery Act. Its purpose is to provide standard, affordable housing for lower income tenants in areas where there is an inadequate supply of such housing. Under a formula allocation, it will provide grants to states, urban counties and cities to support the rehabilitation of rental properties. Section 8 Existing Housing Certificates and/or vouchers also will be made available to participating communities to assist those eligible lower income persons who cannot afford the rents on the properties after rehabilitation. Rehabilitation subsidies are generally limited to 50 percent of the cost of rehabilitation but not to exceed $5,000 per unit (adjustable for high cost areas).

Policy Development and Research

HUD proposes a $20.9 million appropriation for this program in FY85. This is an increase over the FY84 appropriation of $19 million. The program will continue to focus on improving the efficiency, effectiveness and equity of HUD programs and on identifying ways of achieving cost reductions.

Housing Counseling

The FY85 budget proposes to discontinue the Housing Counseling Assistance program. However, HUD would continue to certify and/or recertify local public and private nonprofit agencies that provide HUD-approved housing counseling. The FY84 appropriation is $3.5 million which provides for a comprehensive housing counseling services program. This program includes pre-occupancy counseling for potential homeowners or tenants, mortgage default and rental delinquency counseling. HUD also will provide counseling/outreach activities under the Section 8 existing program and the proposed Housing Voucher program by providing funds to local housing agencies with a high incidence of "hard to house" families.

Neighborhood Reinvestment Corporation

The Administration is seeking $15.2 million for the Neighborhood Reinvestment Corporation, as opposed to the $15.5 million provided in the FY84 appropriation. The major activities of this independent agency include the establishment, provision of technical services to, and expansion of Neighborhood Housing Services programs and Apartment Improvement programs in older, declining residential neighborhoods. It also supports neighborhood preservation projects and the replication of successful neighborhood preservation projects. None of these funds may be used for the capital costs of a demonstration program with mutual housing associations.

SUMMARY

Funding for basic CDBG grants would remain constant in the FY85 budget with no increase to account for the 55 newly eligible cities or counties or for inflation.

The FY85 budget proposes to terminate, through the appropriations process, the lump sum drawdown provision for rehabilitation activities under CDBG.

A new provision under the Housing and Urban-Rural Recovery Act of 1983 requires that at least 51 percent of all CDBG funds must be used to support activities that benefit persons of low and moderate income.

For Small Cities (nonentitlement jurisdictions), funds are allocated by formula among the states. Presently, the states have the option of awarding and administering grants to nonentitlement communities. However, under the Housing and Urban-Rural Recovery Act of 1983, any state that elects to administer the Small Cities program in FY85 shall be considered to have assumed this responsibility permanently; and, if it fails to provide an annual submission, its funds can be allocated among all states.

In UDAG, the average annual appropriation between FY80 and FY84 was $538 million, significantly higher than the $440 million proposed for FY85. HUD does estimate $50 million of recaptured funds this year but this still does not equal the average of $538 million from FY80 to FY84. In addition, the number of grant obligations will drop from 585 in FY84 to 380 in FY85.

The following chart shows comparative funding for CDBG, UDAG and related programs from FY80 to FY85.

COMMUNITY DEVELOPMENT PROGRAMS
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
CDBG Appropriations	$3,752.4	$3,694.6	$3,456.0	$4,456.0[a]	$3,468.0	$3,468.0
Section 108 Loan Authority Available	200.0	300.0	225.0	225.0	225.0	---
UDAG Appropriations	646.4	675.0	474.0	440.0	440.0	440.0[b]
Urban Homesteading						
Properties Conveyed:						
Single Family (1-4 units)						
Number	790	1,105	796	809	1,130	1,160
Amount	$7.5	$10.6	$8.76	$9.195	$14.0	$14.4
Multi-family (over 4 units)						
Number	---	---	---	---	15	15
Amount	---	---	---	---	$3.0	$3.0
Appropriations	---	---	---	$12.0	$12.0	$12.0
Section 312						
Appropriations	$135.0	$5.6	---	---	---	---
Loan Reservations	$203.2	$84.5	$49.4	$44.9	$132.0[c]	---
Rental Rehabilitation						
Number of dwelling units	---	---	---	---	30,000	30,000
Appropriations	---	---	---	---	$150.0[d]	$150.0[d]

[a] The FY83 appropriation includes $1 billion which was provided in the Emergency Jobs Appropriations Act. Essentially, all of these funds were obligated in FY83, with the balance scheduled for obligation in FY84. Disbursement is expected during FY84 and FY85.

[b] This appropriation together with an estimated $50 million of recaptured funds will permit UDAG project announcements of $490 million in FY85.

[c] HUD estimates that $132 million in repayments, FY83 carryover balances and loan recoveries will be available in FY84 to fund 4,861 units.

[d] The Administration proposes supplemental language to transfer in FY84 $300 million from the Annual Contributions for Assisted Housing to implement the program. HUD estimates that this will permit grant obligations of $150 million in both FY84 and FY85.

Source: FY85 Budget, U.S. Department of Housing and Urban Development Summary, February 1984.

HOUSING

Despite rising levels of homelessness, the FY85 budget for housing continues the Administration's policy of relying almost entirely on the use of existing housing to meet the needs of low and moderate income people.

Highlights of the FY85 budget proposals include:

- A request for only $6.2 billion in new budget authority for housing assistance programs, compared to $10 billion approved in HUD's FY84 appropriation, or a cut of 38 percent. The FY84 HUD appropriation contains a total of $13.9 billion in authority for assisted housing; the FY85 request is for a total of $9.1 billion, or 35 percent less.

- Abandonment of the Section 8 Existing Housing program except for use in converting other, previous subsidy commitments. HUD would replace it with a "Housing Voucher" program similar to the FY84 proposal for Housing Payments Certificates.

- Funding for both the Rental Rehabilitation and Housing Development Grant programs enacted by Congress late in 1983 to provide housing assistance funds directly to cities and states to carry out moderate rehabilitation, substantial rehabilitation, and new construction of housing. The Department is seeking the fully authorized amounts in these programs for both FY84 and FY85.

- Revisions to the FY84 appropriation to increase the number of Section 8 existing certificates available in the current fiscal year.

The budget seeks a total of 100,000 incremental units of low income housing assistance, including 87,500 units through the Housing Voucher program (30,000 of them in conjunction with the Rental Rehabilitation program); 10,000 units of Section 202 housing for the elderly and handicapped, all with Section 8 subsidies; and 2,500 units of Indian housing. In addition, the budget proposes 47,094 units of Section 8 Existing Housing assistance for conversions of previously subsidized units, and projects that 6,000 units will be approved through the Housing Development Grant program in FY85. By law, at least 20 percent of these must be occupied by low or moderate income persons.

Rescissions and Deferrals

The FY85 budget proposes a $331 million rescission of public housing operating subsidy funds carried over from previous years. The Department states that these funds are surplus, and not needed to meet 100 percent of the FY85 Performance Funding System operating subsidy needs for public housing agencies. In addition, the budget proposes to rescind almost $1 billion in budget authority which would be left over after the conversion of units now subsidized under the Rental Assistance Program (RAP) to Section 8 Existing.

FY84 Funding Levels

The FY84 appropriation for HUD contained $1.5 billion in funds not specifically allocated to any activities, in anticipation of congressional passage of the Housing and Urban-Rural Recovery Act of 1983. In addition, the Department's budget also contains about $1 billion in housing authority carried over or recaptured from previous years. The FY85 budget proposes to use this $2.5 billion to increase the assistance provided in FY84 over the levels currently in the appropriation.

First, the Department is seeking an increase of 23,500 units in the Section 8 Existing Housing program over the already approved FY84 level, for a new total of 56,000 units. Second, the Department is seeking funding for 15,000 units of Housing Vouchers in FY84. The current appropriation contains no funds for these. Third, the Department is seeking a total of $150 million for the Rental Rehabilitation Grant program, enough for an estimated 30,000 units, and $200 million for the Housing Development Grant program, enough for an estimated 10,000 units. Both are the fully authorized amounts. All of the rental rehabilitation units are supposed to be for low and moderate income persons; at least 20 percent of the Development Grant units are intended for such persons. Finally, the FY85 budget would reduce the FY84 appropriation for public housing operating subsidies by $331 million, to a new level of $1.031 billion. HUD states that these funds are excess and not needed to fully fund the operating subsidy program.

FY85 Funding Levels

The FY85 budget proposes total unit reservations for assisted housing of 156,594. These are detailed as follows:

- 10,000 units of Section 202 housing for the elderly and handicapped, all with Section 8 subsidies. This is a 28 percent reduction from the FY84 level of 14,000.

- 87,500 units of Housing Vouchers (including 30,000 in conjunction with the Rental Rehabilitation Grant program), all of which would be incremental assistance to households not currently subsidized through other programs.

- 2,500 Housing Vouchers for persons displaced from conventional low rent public housing through sale or disposition.

- 1,000 Housing Vouchers for persons currently under Section 8 contracts where owners choose not to renew their existing agreements with HUD.

- 47,094 Section 8 Existing Housing Certificates for use in converting other, previous subsidy commitments to Section 8, and for use in HUD's property management and property disposition efforts.

- 6,000 units of new construction or substantial rehabilitation under the new Housing Development Grant program enacted in 1983.

- 2,500 Indian housing units.

The unit reservations proposed in FY85 are higher than those approved for FY84, but less than the levels HUD is proposing in its revised FY84 budget request. Moreover, the higher levels are due largely to the proposed shift to a Housing Voucher system which provides subsidies over a shorter term and with fewer possible increases over the term of assistance. Were the funds proposed in the FY85 budget to be used in Section 8 Existing rather than the Housing Vouchers, HUD estimates only about 25,000 units could be funded with the same amounts. This accounts for the relatively high unit reservations forecast with a 35 percent reduction in budget authority between FY84 and FY85.

Housing Vouchers

The FY85 budget proposal for Housing Vouchers would convert a small demonstration program authorized by Congress in 1983 into the major source of housing assistance for low and moderate income people. Briefly, the voucher program approved by Congress provides subsidies in existing housing by first setting a Housing Payments Standard, which must be at the same level as Section 8 Existing Housing Fair Market Rents, about the 45th percentile of all rents, including recent movers. Tenants must pay 30 percent of their adjusted income for rent. If tenants find housing which rents below this level, they can keep the difference. If they must rent more expensive housing, they must make up the difference themselves. Also, unlike Section 8 Existing, vouchers are only provided for five-year terms. Section 8 commitments run for 15 years. Finally, subsidy amounts in the Section 8 program are adjusted regularly, depending on adjustments in the Fair Market Rent. This causes steady escalation of the subsidy over the term of the agreement. Voucher subsidy amounts can be adjusted only twice during the five years. Also, such increases must be financed out of the original funding provided to the administering agency. This could mean that where increases are substantial over the five years, agencies could have insufficient funds to maintain the same number of vouchers over the entire term.

Only persons with incomes of 50 percent or less of area median income are eligible to participate in the voucher program, unless they are shifted to vouchers from another subsidy program, such as Section 8 Existing.

The difference in the total amounts necessary to finance vouchers and Section 8 is substantial: a Section 8 unit costs $4,548 per year, for a 15-year budget authority of $68,221 per unit. Vouchers, on the other hand, are estimated to cost only about $3,600 per year, for a five-year budget authority total of $18,000.

The FY85 budget also proposes to convert about 160,000 units of housing now covered by Section 8 Existing to the voucher program through turnovers of tenants. When units now occupied under Section 8 become vacant through tenant turnover, the budget authority remaining in the administering agency's contract will be used to fund vouchers, not Section 8 Existing. The budget proposes to use existing budget authority for this purpose; it may need legislative action to permit such a turnover policy.

Public Housing

The FY85 budget proposes no additional authority for public housing development. It provides $77.5 million in contract authority -- $1.5 billion in budget authority -- for public housing modernization, equal to the FY84 appropriation, and $1.123 billion for public housing operating subsidies. In contrast to previous years, no proposals are included to change either the modernization or operating subsidy programs in FY85. As in the past HUD will seek authority to permit housing authorities to convert public housing development funds to modernization funds if they choose.

Housing Development Grants

The Housing and Urban-Rural Recovery Act of 1983 authorized a new program of direct federal subsidies for new construction and substantial rehabilitation of housing. The Housing Development Grant program is patterned after the UDAG program in many ways, requiring applications to originate with local governments on behalf of housing development proposals in partnership with private developers, and putting substantial emphasis on the extent to which public funds leverage additional private investment. At least 20 percent of the units produced under this program must be occupied by low and moderate income persons.

The FY85 budget proposes to fund this program at the fully authorized level of $200 million in FY84 and $115 million in FY85. These funds are expected to stimulate 10,000 and 6,000 units of production, respectively.

Homeless Assistance

The FY85 budget contains no request for the $60 million authorized in the Housing and Urban-Rural Recovery Act of 1983 to provide funds for construction or rehabilitation of shelters for the homeless.

The following table provides a comparison of assisted housing levels from FY80 to FY85, including the changes in the FY84 appropriation proposed by HUD in its FY85 budget submission.

FEDERAL HOUSING PROGRAM LEVELS, FY80-FY85
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY84	PROPOSED FY85
Section 8[a]							
Section 202/New Construction/Substantial Rehabilitation Units	115,198	73,861	27,527	14,000[b]	14,000[b]	14,000[b]	10,000[b]
Moderate Rehabilitation Units	40,000	24,981	8,309	15,000	7,500	7,500	---
Existing Housing Units	47,022	85,289	97,570	67,146	32,500	56,000	---
Conversion/Prop. Disp./Loan Management Units	---	---	---	75,000	63,200	63,200	47,094
Housing Vouchers, Units	---	---	---	---	---	15,000	91,000
Public Housing Units	38,172	36,370	12,136	2,000	5,000	5,000	---
Public Housing Modernization Funds	$50	$50	$90	$125	$77.5	$77.5	$77.5
Public Housing Operating Subsidies	$794	$1,200	$1,494	$1,350	$1,362	$1,031	$1,123
Section 202 Units	20,440[a]	15,166[a]	16,038[a]	14,000[a]	14,000[a]	14,000[a]	10,000[a]
Housing Development Grants, Units	---	---	---	---	---	10,000	5,000
Rental Rehab Program, Units	---	---	---	---	---	30,000	30,000[d]
TOTAL UNIT RESERVATIONS, ALL PROGRAMS	240,392	220,501	145,542	173,146	122,200[c]	160,700[c]	154,094[c]

[a] All Sec. 202 units are subsidized through Sec. 8, and are included in the totals for Sec. 8 new construction/substantial rehabilitation.
[b] All units under this category will be made available through the Sec. 202 program for the elderly and handicapped.
[c] Does not include 2,500 units of Indian housing.
[d] This total included under Housing Vouchers.

Source: FY85 Budget Summary, HUD, February, 1984; FY84 Budget Summary, HUD, January, 1983; FY83 Budget Summary, Summary, HUD, February, 1982; House Report 97-980, December, 1982.

DEFENSE

The Administration has requested $313.4 billion in FY85 budget authority for national defense, up from $265.3 billion in FY84, including the Defense Department, nuclear weapons and laser programs in the Department of Energy, and the budgets for the Federal Emergency Management Agency, Selective Service and the defense strategic materials stockpile. This is an 18 percent increase from FY84, or 13 percent in real dollars.

Since 1981, the Administration has added $165 billion to the FY80 level of defense budget authority. In current dollars, national defense budget authority has grown 115 percent between FY80 and FY85. In constant (uninflated) dollars, national defense budget authority has grown 59 percent over the same period.

Between FY85 and FY89, the Administration asks for $1.9 trillion for national defense budget authority. Combined with increases since FY80, this would mean defense spending during the 1980s would be more than $3 trillion.

The Defense Department's own budget authority will rise in FY85 from $258 billion to $305 billion. Actual Defense Department outlays in FY85 will be $264.4 billion, up 9.3 percent from the FY84 level of $231 billion. This would bring FY85 Defense Department outlays, in constant dollars, to a level surpassing all previous years, peace or war, since demobilization at the end of World War II. (Defense Department authority of $305 billion surpasses all previous years but FY52, the height of Korean War spending.)

The national defense share of the federal outlays has grown significantly since the Administration took office, rising from 23.6 percent in FY80 to 29.4 percent in FY85. National defense's share of Gross National Product has also risen from 5.3 percent in FY80 to a projected seven percent in FY85.

Above this significant increase, the Defense Department intends to request a $2.4 billion supplemental appropriation for FY84 covering pay raises and benefits and the additional costs of troop commitments ($138 million) in Lebanon and Grenada.

Within the Defense Department FY85 budget, there are several significant developments:

- The fastest growing parts of the defense budget continue to be the investment accounts: procurement of weapons (up 25.1 percent from FY84), research and development (up 26.4 percent), and military

construction (up 60 percent). Operations and maintenance spending (up 14.8 percent) and personnel costs (up nine percent) are growing far more slowly than investment, and their share of total defense spending is falling. (Some questions have been raised in Congress about whether personnel and maintenance capabilities are keeping up with the rapid addition of new weapons to the American arsenal.)

- The Air Force (up 21.1 percent) and the Navy (up 18.1 percent) received the lion's share of growth in budget authority, while the Army, at 15.6 percent, continues to grow more slowly. The major additions to Air Force and Navy funding involve significant increases in procurement funding. Major Air Force weapons programs in the new budget include the B-1 bomber ($8.2 billion), the MX missile ($5.0 billion), the F-16 fighter ($4.2 billion), the C-5B cargo plane ($2.2 billion), and the F-15 fighter ($2.3 billion). The only significant reduction from previous Air Force spending is the decision not to buy any new E-3A AWACS warning and control aircraft. Major Navy programs include the Aegis cruiser ($3.2 billion), the SSN-688 nuclear attack submarine ($2.97 billion), the F/A-18 fighter ($2.8 billion), the start of production on the new Trident II missile ($2.3 billion), the Trident submarine ($2.0 billion), the DDG-51 cruiser ($1.3 billion), the F-14 fighter ($1.0 billion) and the AV-8B fighter for the Marines ($1.0 billion). There are fewer Army programs of equivalent size: the M-1 tank ($1.9 billion), the AH-64 attack helicopter ($1.5 billion), the Patriot missile ($1.3 billion), and the Bradley fighting vehicle ($1.5 billion).

- In contrast to two previous years of more rapid increases, strategic nuclear programs will grow 20.2 percent in FY85. The significant programs in this category include the MX missile, the purchase of 34 B-1B bombers, continuation of research and production on air, sea, and ground launched cruise missiles in Western Europe. Most significantly, the Defense Department has consolidated its spending on space weaponry, called "strategic defense initiatives," which will cost $1.8 billion in the Defense Department budget and another $300 million in the Department of Energy budget.

- General purpose forces are scheduled to grow this year at a rate of 28.6 percent. These funds maintain 17 Army divisions (one new light division is being added in 1985), three Marine divisions, two Marine air wings, 16 Navy fighter air wings, 26 Air Force fighter air wings, and 545 deployable Navy ships. The major increases in Air Force fighter purchases and Navy ships account for some of the rapid increase.

- Spending is increasing significantly for intelligence and communications (up 28.4 percent), airlift and sealift (up 33.9 percent), guard and reserve forces (up 27.9 percent), and research and development (up 26.2 percent). Considerable strategic nuclear-related spending is to be found in the communications and research categories, reflecting the strategic build-up.

Breaking with past traditions of budget reporting, the Administration has emphasized another category of spending it describes as "national interest/defense-related programs." Beyond the warhead activities of the Department of Energy and the emergency management, selective service, and stockpile funds, these programs include: NASA, international security assistance, foreign aid, the State Department, the United States Information Agency, the Coast Guard, and the petroleum stockpile. Combined, these programs have risen from $23 billion in FY81 to $36 billion in FY85; this is in addition to the Pentagon's own budget.

NATIONAL DEFENSE
BUDGET AUTHORITY AND OUTLAYS
(dollars in billions)

	Budget Authority	Outlays
FY84	$265.3	$238.0
FY84-FY85		
Total Increase	48.1	34.0
Percentage Growth		
Current dollars	18.1	14.3
Constant dollars	13.0	9.1
FY80-FY85		
Total Increase	167.7	136.1
Percentage Growth		
Current dollars	115.0	100.0
Constant dollars	59.7	44.5
FY85-FY87		
Projected Increase	75.7	77.0
Percentage Growth		
Current dollars	24.2	28.3
Constant dollars	12.9	16.0

Sources: OMB, Budget of the United States Government FY 1985, February 1, 1984; OMB, Federal Government Finances, 1984 Budget Data, February 1983; DoD Comptroller, National Defense Budget Estimates for FY 1984, March, 1983.

ECONOMIC AND BUSINESS DEVELOPMENT

ECONOMIC DEVELOPMENT ADMINISTRATION

The Administration once again proposes to terminate the Economic Development Administration (EDA) by requesting no additional funds in FY85. In FY84, $240 million was appropriated for EDA's activities. The budget requests $22.4 million in administrative funds for FY85 to monitor past grants and close down EDA during the year.

Although the Administration has proposed terminating EDA in the past three budgets, Congress has responded by providing funding at levels greatly reduced from authorized levels.

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
Planning	$33.8	$23.9	$24.7	$24.8	$27.0	---
Technical Assistance	31.0	26.3	8.2	7.4	8.0	---
Development Grants	263.5	273.3	129.9	229.9	170.0	---
Economic Adjustments	86.9	12.6	33.0	32.9	33.0	---
Direct Loans	61.8	54.1	---	---	---	---
Loan Guarantee Payments	27.9	32.0	---	---	---	---
Research & Evaluation	4.0	2.7	1.6	2.0	2.0	---
Total Obligations	$508.9	$424.9	$197.6	$297.2	$240.0	---

Source: U.S. Budget, Appendix, FY80, FY81, FY82, FY83, FY84, FY85.

INTERNATIONAL TRADE ADMINISTRATION

The International Trade Administration (ITA) of the Department of Commerce has responsibilities for trade development, international economic policy, administration of export and licensing and their laws and regulations. Budget authority requested for ITA in FY85 is $172.9 million, down approximately 7.3 percent from the $186.6 million in FY84. The decline is largely due to the proposed elimination of Trade Adjustment Assistance ($25 million in FY84) which provides loans and guarantees to help firms adjust to import competition.

The FY85 budget for ITA proposes small increases ($3.3 million) in funding for trade development (development and dissemination of information on foreign markets) for the purpose of strengthening ITA's industry sector analysis capabilities. Also, an increase of $9 million is requested in FY85 for trade administration (export enforcement and administration programs) to allow ITA to open seven new field offices to upgrade enforcement of American trade laws in areas of heavy volumes of high technology exports; and to develop and maintain an up-to-date computerized tracking system for export license applications.

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) assists minority participation in business ownership through increased minority business enterprise formation, expansion, and reduced failure rates. Within these activities is MBDA's primary delivery system -- the Minority Business Development Centers (MBDCs) which are located in 100 metropolitan areas.

The total MBDA budget for FY85 is $62 million compared with $59 million in FY84. However, the federal funding is reduced seven percent from $53.3 million in FY84 to a proposed level of $49.8 million in FY85. The difference in the federal funding level from FY84 to FY85 would be offset by increasing the number of MBDC fees and number of clients (from $6 million in FY84 to an anticipated $12 million). Over two-thirds of the FY85 funds are allocated for direct management and technical assistance to minority businesses through the MBDCs.

Total appropriations for MBDA were $47.2 million in FY83, $56.2 million in FY82 and $47.3 million in FY81.

SMALL BUSINESS ADMINISTRATION

Under the FY85 budget proposal, SBA's guaranteed business loan program would total $3.3 billion, the same amount as appropriated in FY84. Of the $3.3 billion business loan total, $350 million would be earmarked for SBA's 502 and 503 local development company loan programs, the same authorized level as in FY84. Changes in program levels in the guaranteed loan levels from FY84 to FY85 would occur with a $60 million increase in general business loan guarantees with a corresponding decrease in guaranteed loans to small business investment companies (SBICs). These changes reflect the growing demand for SBA guaranteed loans but further limit the ability of SBICs to provide a source of capital or long term loans to new or expanding small businesses.

The Administration's FY85 budget again proposes the elimination of SBA's direct loan program, funded at $242 million in FY84, except for $41 million in direct loans to minority enterprise business investment companies (MESBICs). Program levels in the past for SBA's direct loan program have included $149 million in FY83, $178 million in FY82, and $333 million in FY81.

For FY85, disaster loans are proposed for a continued level funding of $440 million.

SUMMARY

The Administration's FY85 proposals to eliminate EDA continue the policy of reducing the federal government's role as a direct partner in urban economic development. The Administration proposes to rely primarily on a program of tax and budget cuts, regulatory reform, and national economic policy as the means for achieving increased employment and a stable economic base in cities. The budget suggests that the functions of EDA can be absorbed and better directed at the state and local level through the use of Community Development Block Grants (CDBG) and Urban Development Action Grants (UDAG). However, the budget proposes no increased funding at all over FY84 levels for CDBG or UDAG spending in FY85.

The U.S. Conference of Mayors has reaffirmed its support for the continuation of EDA in policy resolutions adopted in its Annual Meetings. These resolutions call for new legislation to extend EDA and increase its effectiveness by emphasizing economic development at the local level.

EDUCATION

The Administration is requesting $15.5 billion in budget authority for FY85, $100 million more than the FY84 appropriation level of $15.4 billion. However, major cuts, totalling $689 million in FY85, are proposed in selected postsecondary programs serving primarily lower income students.

An increase of $235 million is requested in FY85 for the Special Programs state block grants which are distributed to both public and private elementary and secondary schools. An additional $300 million is proposed for the Work-Study program, which serves postsecondary students.

The Administration again is proposing legislation to: (1) institute a system of tuition tax credits; and (2) allow states and localities to use an optional voucher system to provide compensatory education services. The Department of Education personnel level is proposed at a level 33 percent below that of January 1981, with a 14 percent decrease in funds requested for the Office of Civil Rights in FY85 -- $42.6 million as compared to $49.4 million in FY84.

In contrast to previous years, elementary/secondary education and postsecondary programs are funded almost equally, 45 percent and 44 percent respectively, with 11 percent remaining for special categories.[1]

COMPENSATORY EDUCATION

The FY85 request for $3.48 billion in budget authority for compensatory education for disadvantaged students is $7.5 million under the FY84 level. A voucher system, to be adopted at the discretion of state or local education agencies, is proposed for these services. If enacted, this proposal could result in diminishing the capacity of the public schools to assist disadvantaged students. However, no other details on implementation or cost in lost tax revenues are available at this time.

SPECIAL PROGRAMS

A total of $729 million in budget authority is requested for Special Programs, with the state block grants in this category proposed to receive $686 million, an increase of $235 million over FY84. The block grants -- to be used to improve the quality of elementary and secondary education -- are disbursed by individual state formulas. However, the federal government requires that private schools receive (they have the option to decline) a share of these funds proportionate to the percentage their students comprise

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[1] In FY82, postsecondary education had overtaken elementary/secondary education by a margin of seven percentage points.

of the total student population in each school district. As a result, these funds are not necessarily targeted to areas of need.

The Administration has identified these state block grants as a means for state and local education agencies to implement the recommendations of the National Commission on Excellence in Education.

TUITION TAX CREDITS

Again this year the Administration will propose legislation for a tuition tax credit for parents who choose to send their children to private elementary and secondary schools which are non-profit and do not discriminate on the basis of race, color or national origin. The credit is intended for lower and middle income families, with full credit phased out for those families with adjusted gross income over $40,000, and would not be available to those with income of $60,000 or more.

This initiative would be phased in over a three year period. Parents could claim a maximum credit per child of $100 in 1985, $200 in 1986 and $300 in 1987 and beyond. The cost in lost revenue is estimated to be about $337 million in 1985, $594 million in 1986, and $853 million in 1987. If enacted, the proposal could result in less money being available for public education, ultimately weakening the nation's public school systems.

IMPACT AID

Impact aid compensates public school systems for loss of property tax revenue due to the presence of federal facilities. In FY85, $507 million in budget authority is requested as compared to the FY84 appropriations level of $585 million. The FY85 payment is requested for "A" category children who live on federal property and have parents who work on federal property or are in the military. No request is made for the "B" children who have either, but not both, attributes because the authorizing legislation for this category expires in 1984.

BILINGUAL EDUCATION

The FY85 request for $139 million in budget authority is approximately at the FY84 level[2] and is based on proposed legislation to increase school district capacity in bilingual programs. The proposed legislative initiative also would strengthen the role of the state education agencies.

EDUCATION OF THE HANDICAPPED; VOCATIONAL AND ADULT EDUCATION

The FY85 request for $214 million in budget authority for education of the handicapped is $25 million less than the FY84 appropriation level.

Level funding is requested for vocational education in FY85 -- $738 million -- with legislation proposed to simplify federal requirements and allow states greater flexibility.

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[2] This does not include $30 million of unobligated, lapsing balance in FY84.

Level budget authority of $100 million also is requested for adult education state formula grants in FY85.

STUDENT ASSISTANCE

The Administration is continuing to propose a philosophical shift in federal student aid by making parental and student contributions the base for meeting college costs. Direct student assistance programs are being cut as follows:

- Supplemental Educational Opportunity Grants -- No request for FY85, a reduction of $370 million.
- Direct Loans, Federal Capital Contributions -- No request for FY85, a reduction of $161 million.
- State Student Incentive Grants -- No request for FY85, a reduction of $76 million.
- Special Programs for the Disadvantaged (TRIO) -- The FY85 request is $82.4 million as compared to $164.7 million in FY84.

Level funding of $2.8 billion is requested in FY85 for Pell Self-Help Grants with the maximum grant increased to $3,000 from $1,900. Students will be expected to provide a minimum of 40 percent of their educational expenses or $500, whichever is greater. The FY85 budget authority request for the Work-Study program is $850 million for FY85, an increase of $300 million over FY84. Schools may also use 50 percent of these funds as additional grants for needy students.

The FY85 budget authority request for Guaranteed Student Loans is $2.84 billion, an increase of $584.2 million over FY84. The Administration is proposing that all recipients in FY85 -- not just those families earning over $30,000 a year -- demonstrate need.

EDUCATIONAL SAVINGS ACCOUNT

The Administration is proposing that low and middle income families (no income level is given) be allowed to save up to $1,000 a year on which interest and dividends would be tax free. The estimated amount of lost tax revenues associated with this initiative will be $28 million in FY85, about $137 million in FY86, and $295 million in FY87.

Since low and moderate income families have difficulty saving due to current economic pressures, the proposed measure is unlikely to achieve its goal of making a college education more accessible to their children. The proposed measure more readily relates to the financial circumstances of the exempt upper income families.

EMPLOYMENT AND TRAINING

The President's FY85 budget requests a cash outlay of $3.687 billion for training programs authorized under the Job Training Partnership Act. This is a 51 percent reduction from comparable FY80 Comprehensive Employment and Training Act (CETA) outlays. The drastic change between FY80 and FY85 reflects the elimination of public service employment under CETA.

BASIC TRAINING PROGRAMS

Funds for basic training programs under the Job Training Partnership Act (JTPA) are sent to governors, who distribute 78 percent of those funds to local elected officials and private industry councils to implement training programs. The remaining funds are used at the state level for employment and training activities. The delivery system established under JTPA was not operative until October 1, 1983.

The proposed FY85 outlay for basic training programs under JTPA is $1.886 billion, a 5.7 percent increase over anticipated outlays in FY84. It is significant that FY84 is the first year of JTPA implementation. Consequently, it is expected that, because the program is new, expenditures will be slower in FY84 than they would be if the program were several years old. The slight increase of FY85 outlays over FY84 most likely reflects the anticipated maturation of the JTPA delivery system.

YOUTH PROGRAMS

The Job Training Partnership Act includes two programs targeted to youths: the Summer Youth Program and the Job Corps. Additionally, 40 percent of the basic training dollars that go to local programs are to be utilized for youths.

The outlay request for the FY85 Summer Youth Program is $725 million, which is the same as the estimated outlays for FY84 and a 1.9 percent decrease from FY80. However, the President hopes to obtain a subminimum wage for youths. If this occurs, the FY85 outlay request will be reduced by $87 million.

The proposed FY85 outlay for the Job Corps is $589 million, a reduction of 3.4 percent from FY84 but an increase of 28.9 percent over FY80.

DISLOCATED WORKERS

The FY85 outlay request for dislocated worker programs is $224 million, a reduction of 2.6 percent over FY84. Approximately $5 million of the FY85 outlay will consist of leftover FY84 training funds provided through the Trade Adjustment Act, to assist workers who have been displaced as a result

of foreign trade. After FY85, there will be no such targeted dollars. Title III of JTPA will be the only federal training program aimed specifically at dislocated workers.

Seventy-five percent of the Title III dislocated worker funds are distributed to states on a formula basis. The remaining 25 percent are distributed on a discretionary basis by the Secretary of Labor.

NATIONAL PROGRAMS

In addition to the Job Corps and the Secretary of Labor's discretionary portion of the dislocated worker program, there are several activities funded through JTPA that are administered directly by the U.S. Department of Labor rather than funneled to states. These include training services to Native Americans, migrant and seasonal farmworkers, veterans and other special target groups. Additionally, there are funds to support the National Commission for Employment Policy and to carry out research, development and technical assistance.

The FY85 outlay request for this group of programs is $258 million, a 17.3 percent reduction from outlays for such programs in FY84 and a 48.7 percent reduction from FY80. The major reductions are in the areas of research and development and technical assistance.

THE PROGRAM YEAR

The Job Training Partnership Act established a forward funding mechanism by creating a program year which begins on July 1 and ends on June 30. The FY85 budget authority for JTPA is for expenditures that will begin on July 1, 1985 and run through June 30, 1986. This means that the FY85 budget proposes expenditures through the first 9 months of FY86.

The outlay figures discussed above are arranged by fiscal year rather than by program year, since the JTPA budget request must be in accordance with the fiscal year utilized for all federal budget requests. However, the President's budget authority request does recognize the program year.

EMPLOYMENT AND TRAINING OUTLAYS
FY80 - FY86
(in millions of dollars)

PROGRAM	FISCAL YEAR							PERCENT CHANGE	
	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY80-85	FY84-85
Basic Training[a]	2,144	2,231	2,374	2,291	1,784	1,886	1,886	(12.0)	+ 5.7
Summer Youth[b]	739	769	679	750	725	725	725	(1.9)	0
Job Corps	457	540	570	563	610	589	605	+28.9	(3.4)
Dislocated Workers[c]	---	---	7	26	230	224	225	NA	(2.6)
Trade Adjustment	---	---	7	19	21	5	---		
CETA	---	---	---	7	209	219	225		
National Programs[d]	503	390	325	294	312	258	246	(48.7)	(17.3)
Public Service Employment	3,697	2,387	139	45	---	---	---		
Total, Employment and Training	7,540	6,317	4,094	3,969	3,661	3,682	3,687	(51.2)	(0.6)
Total, Minus PSE	3,843	3,930	3,955	3,924	3,661	3,682	3,687	(4.2)	(0.6)

[a] Figures for FY80 through FY83 represent CETA programs that are comparable to JTPA basic training programs. They include: IIB/C (basic employment and training); Youth Employment and Training Program; Youth Community Conservation Improvement Program; Youth Incentive Employment Pilot Project; and the Private Sector Initiative Program.

[b] The President hopes to get a subminimum wage for youths through the Congress. If this occurs, the FY85 and FY86 Summer Youth outlays will each be reduced by $87 million.

[c] FY83 - FY85 include funds authorized for training under the Trade Adjustment Act. After FY85, all dislocated worker training funds will be authorized under Title III of the Job Training Partnership Act (JTPA).

[d] This includes programs for Native Americans, migrant and seasonal farmworkers and veterans, as well as funds for technical assistance and information.

ENERGY

The proposed Department of Energy (DOE) FY85 budget represents, according to DOE, significant strides towards its goal of "adequate supply at reasonable prices," and one of the strategies toward achieving the goal of a balanced and mixed energy supply system for the country. However, budget figures show that programs of importance to the cities are still being cut: conservation by 63 percent, solar and other renewables by 10 percent, and fossil fuels programs by 17 percent. Compared to the FY80 budget, the FY85 proposal cuts these programs by 75, 75, and 68 percent, respectively. DOE's largest increase in the budget proposal is in the strategic petroleum reserve, up 189 percent from last year; the defense request (52 percent of the DOE program budget) is up 16 percent, as is the general science research program.

DEPARTMENT OF ENERGY BUDGET AUTHORITY
(dollars in millions)

	FY80[a]	FY81[b]	FY82[c]	FY83[c]	FY84[d]	PROPOSED FY85[d]
Energy Technology	$3,606	$4,033	$2,732	$2,334	$2,329	$2,273
Fossil Energy	847	994	418	218	330	273
Solar & Other Renewables	766	1,048	295	253	213	191
Environmental Research	224	230	214	225	219	228
Magnetic Fusion	420	394	447	453	472	483
Nuclear Fission	1,097	1,051	1,088	877	700	618
Supporting Research and Technical Analysis	251	316	270	309	395	480
Conservation	779	430	388	410	533	196
Defense	2,991	3,690	4,737	5,700	6,718	7,806
Other	3,013	4,304	4,760	3,035	1,801	3,416
TOTAL[e]	$10,388	$12,457	$12,617	$11,480	$11,381	$13,691

[a] Budget of the U.S. Government, FY82, Appendix, January 1981.

[b] U.S. Department of Energy, Briefing Document, January 1982.

[c] Budget of the U.S. Government, FY84, Appendix, January 1983; U.S. Department of Energy, FY84 Budget Highlights, January 1983.

[d] Budget of the U.S. Government, FY85, Appendix, January 1984; U.S. Department of Energy, FY85 Budget Highlights, January 1984.

[e] Does not include requests for Direct Energy Production programs, e.g., regional power authorities, Naval Strategic Petroleum Reserves, and uranium enrichment.

CONSERVATION

In the area of conservation, the federal government supports programs of research, development and demonstration to reduce energy consumption in buildings, transportation, industry and utilities. Some of these are of particular importance to cities in helping to reduce energy costs in households and businesses and, in some instances, by providing the technology base for new forms of business enterprise. This area of the Department of Energy includes conservation research and development, electric energy systems and storage, and conservation grants for state and local assistance.

For FY85 the Administration has requested $196 million, a figure higher than last year's request of $101 million, but a cut of 63 percent from the $533 million Congress appropriated last year. The proposed budget represents a continuation of the Administration's shift away from demonstration and commercialization programs and toward long term, high risk research and development. In FY83 Congress refused to go along with the DOE proposal to cut conservation spending from $388 million to $22 million, and in FY84 again balked at the proposed 75 percent cut.

The largest cut in funds requested in the FY85 budget is in the state and local assistance program, now called the conservation grant program, which DOE proposed to close out last year. This program provided federal funds to state and local governments to undertake energy conservation measures, including low income weatherization, conservation measures for schools and hospitals, energy extension services, and state energy conservation programs. The FY84 proposal was $3.3 million, but Congress appropriated $303 million. For FY85, DOE has proposed a $252.2 million conservation grant program, which will include $238 million for weatherization for about 190,000 homes and retrofitting for about 2000 school and hospital buildings. No funding is requested for energy extension services. Funding for the weatherization and schools and hospitals program is not contained in DOE's FY85 budget request. Instead, it is proposed that a "Petroleum Overcharge Restitution Fund" be established in the Department of Health and Human Services (HHS) for funds recovered by the government from petroleum pricing and allocation violations, where the overcharged customers cannot be identified and repaid. Money from this fund will be transferred to DOE to support the two programs; it also will support the HHS low income energy assistance program. If funds from the overcharges are insufficient, the remainder of the budget request for the two DOE programs will come from the U.S. general fund. Legislation to establish the overcharge fund is to be proposed in Congress in the near future; if the bill is not passed, DOE does not plan to request appropriation for the weatherization and schools and hospitals programs.

The only significant increase in the conservation area is in the Multi-Sector program that supports research in appropriate technology and provides technical assistance to inventors. The budget request for FY85 is $26.5 million, up from $14.9 million in FY84.

DEPARTMENT OF ENERGY FY85 BUDGET FOR CONSERVATION PROGRAMS
BUDGET AUTHORITY
(dollars in millions)

	FY84	PROPOSED FY85
Buildings and Community Systems	$45.1	$35.3
Industrial Energy Conservation	46.9	33.3
Transportation	68.2	51.1
Conservation Grants	303.2	14.2
Multi-Sector (Appropriate Technology)	14.9	26.5
Electric Energy Systems	26.9	18.2
Energy Storage Systems	28.2	17.1
TOTAL	$533.4	$195.7

Source: Budget of the U.S. Government, FY85, Appendix, January 1984.

URBAN ENERGY PRODUCTION

Among the energy production technologies supported by DOE, several are of particular benefit to the cities. These include cleaner methods of burning coal and various renewable energy systems such as geothermal, solar, low-head hydro, and municipal waste-to-energy.

As the following table indicates, there is a slight reduction -- about 10 percent -- in the FY85 budget request for solar and other renewables as compared to FY84. In the FY84 budget request, DOE had proposed to eliminate several programs, including hydropower, ocean energy, and some solar programs; however, Congress made appropriations for these in the final budget. Deep cuts were proposed for FY84 in other programs, cutting from $253 million in FY83 to $102 million in FY84's proposal; but many of these programs were reinstated to a total of $213 million for FY84.

DEPARTMENT OF ENERGY FY85 BUDGET FOR SOLAR AND OTHER RENEWABLES
BUDGET AUTHORITY
(dollars in millions)

	FY84	PROPOSED FY85
Solar Building Energy Systems	$16.5	$11.9
Photovoltaic	50.4	47.5
Solar Thermal	43.9	37.5
Biofuel	28.4	28.1
Wind	26.5	23.3
Ocean	5.5	3.5
Solar Technology Transfer	3.3	6.0
International Solar Energy Program	.5	.5
Program Direction and Support	6.8	5.4
Geothermal	30.5	27.1
Hydropower	.8	.4
TOTAL	$213.1	$191.2

Source: U.S. Department of Energy, FY85 Budget Highlights, January 1985, p. 55.

The reduction in budget requests for solar and other renewables reflects DOE's position that more responsibility for these technologies should be assumed by the private sector.

SOLAR ENERGY AND ENERGY CONSERVATION BANK

Despite strong congressional support for the Solar Energy and Energy Conservation Bank, the Administration has proposed no funding for the Bank for FY85. Last year the Administration also sought no funds for the Bank, but Congress appropriated $25 million, the same level as the appropriation for the previous fiscal year.

ENVIRONMENT

The Administration's proposed FY85 budget in the environmental areas of concern to the nation's cities is marked by stabilization and some growth at the Environmental Protection Agency (EPA) and continued proposals for zero funding for urban environmental programs in the Department of Interior.

ENVIRONMENTAL PROTECTION AGENCY

The proposed FY85 budget for the Environmental Protection Agency exhibits overall stability and some growth in key areas, bringing to an end a period of controversy which resulted in the removal of the original top leadership of the agency and their replacement by a new team headed by Administrator William Ruckelshaus.

The budget of the Environmental Protection Agency is composed of three central components, each of significant importance to cities: (1) the operating budget; (2) the wastewater treatment construction grants program; and (3) the hazardous substances response trust fund (Superfund) designed to help clean up dangerous waste dumps.

The Operating Budget

The EPA operating budget is the central tool for the actual implementation of most federal environmental laws. It includes the basic funds which support the EPA staff, as well as most of the resources for pollution abatement, control and enforcement. Included in this category are most grants to localities and states to carry out federal mandates at the local level for a variety of environmental purposes.

After years of dispute with the Congress over cuts in the operating budget, the proposed FY85 level would be increased slightly, by eight percent, from $1.114 billion in FY84 to $1.209 billion in FY85. Within this overall category, grants to state and local governments would be flat at $238 million in FY85.

Wastewater Treatment Construction Grants

While there is growth in some areas of the EPA budget, the key tool for cities to use in attempting to meet national clean water standards is unfortunately held flat. The Wastewater Treatment Construction Grants program, which helps fund city water treatment facilities, was cut in half at the beginning of the Administration, from $5 billion annually in authorization levels to $2.4 billion. It has remained at that level since, despite repeated evidence from inside and outside EPA that this is inadequate. Legislation is now pending in the Congress which would restore the program to a level closer to its pre-1981 status. City efforts to achieve clean water standards and provide healthier water to city residents will be increasingly hampered if the wastewater treatment construction grants program remains frozen at this level.

Superfund

The Superfund program is proposed for a substantial increase in FY85, from $410 million in FY84 to $640 million, a rise of some 56 percent. In addition, the Administration will seek a supplemental appropriation of $50 million to add to the FY84 level, bringing it to a total of $460 million.

Allegations of mismanagement of the Superfund program were at the center of the upheaval which occurred at EPA in 1983. The program, which is funded mostly by a special tax on industry, is designed to clean up uncontrolled hazardous waste sites, and expires in FY85. The President announced the intention of the Administration to support renewal in the State of the Union Address, but no figure has yet been forthcoming as to the overall dollar levels the Administration will support. The original five-year Superfund program was authorized at $1.6 billion, with a considerable increase sought by program advocates in the coming years to combat the growing number of dumps.

ENVIRONMENTAL PROTECTION AGENCY

FY80-FY85
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
EPA Operation Budget	$1269	$1353	$1086	$1040	$1114	$1209
State & Local Grants	270	272	239	233	242	238
Wastewater Treatment Construction Grants	3400	1600[a]	2400	2430	2430	2400
Superfund[b]	---	$75	$190	$210	$410[c]	$640

[a] Original FY81 wastewater appropriation was $3.3 billion. Administration proposed and Congress accepted a rescission of $1.7 billion.

[b] Superfund began in FY81.

[c] The Administration proposes a supplemental FY84 appropriation of $50 million. If passed by Congress, it would bring the Superfund FY84 level to $460 million.

Source: EPA, Summary of the 1985 Budget, pp., 2-8, 72-74.

DEPARTMENT OF INTERIOR

For the fourth successive year, the Administration seeks no funds for the several Department of Interior programs which can improve the quality of the urban environment. Congress has strongly resisted these annual efforts and provided considerable funding for these programs over this same time period. Despite the change in leadership at the Department of Interior, there is no change in the Department's view of its role in helping cities.

Urban Parks

The Urban Parks and Recreation Recovery program is designed to assist distressed cities in rehabilitation of existing park and recreation facilities. Over 300 cities have benefitted from the environmental improvements and job producing capacity of this program. Congress reaffirmed its support for this program by appropriating some $40 million for it in the March 1983 emergency jobs bill. The Administration continues to assert that there is no appropriate federal role in this area.

Land and Water Conservation Fund

The Administration also seeks the elimination of state and local grants through the Land and Water Conservation Fund (LWCF), which helps communities acquire new properties for environmental and recreation purposes, and is funded through recreation user fees on federal facilities. The Administration is proposing legislation which would redirect those user fees to operate and improve the National Park Service, rather than make them available for future LWCF grants. A similar proposal made last year was not considered by the Congress. In the 1983 jobs bill, the Congress increased the Land and Water Conservation Fund state and local grants by more than 50 percent, from $75 million to $110 million.

Historic Preservation

The Administration has proposed, as in past years, the elimination of federal assistance for state and local grants for historic preservation technical assistance and for the National Trust for Historic Preservation. Congress has rejected this approach, underscoring its belief in the effectiveness of preservation as an economic development, community development, and environmental tool. The 1983 jobs bill roughly doubled funds for these purposes from $26 million to $51 million.

URBAN PARKS, NATURAL RESOURCES, HISTORIC PRESERVATION
FY80-FY85
(dollars in millions)

	FY80	FY81	FY82	FY83[b]	FY84	PROPOSED FY85
Urban Parks	$65	$1[a]	$8	$40	$6.7	---
Land and Water Conservation Fund State and Local Grants	319	159	---	115	75	---
Historic Preservation Grants	$55	$26	$25	$51	$26.5	---

[a] Original appropriations of $20 million had $19 million rescinded.

[b] Original FY83 appropriation contained zero for Urban Parks, $75 million for Land and Water Conservation Fund and $26 million for Historic Preservation. The 1983 Emergency Jobs Supplemental appropriation added $40 million to Urban Parks, $40 million to Land and Water Conservation, and $25 million to Historic Preservation.

Sources: U.S. Budget, Appendix, FY85, pp. IM-40-43.
U.S. Budget, Appendix, FY84, pp. IM-32-35.
U.S. Budget, Appendix, FY83, pp. IM-36-40.
U.S. Budget, Appendix, FY82, pp. IM-26-29.

FISCAL ASSISTANCE

The Administration proposes to maintain funding for general revenue sharing at the current level of $4.6 billion through FY85. There has been no increase in this program since FY76. Since the program was first enacted in FY73, there has been a reduction of over 50 percent in the purchasing power of revenue sharing dollars. In FY81, the states were dropped from the program, resulting in a $2.3 billion reduction in total program dollars.

There is no mention of the Administration's "New Federalism" proposal in the FY85 budget. However, the Administration proposes three additional state block grants: (1) a training program for science and mathematics teachers; (2) consolidation of Older Americans Act programs; and (3) consolidation of child care feeding and summer food service programs. In addition, the primary care health block grant, one of the seven block grants enacted in 1981, would be expanded to include additional programs.

Payments in lieu of taxes (PILOT) programs would be held at approximately FY84 levels. Currently, there are four PILOT programs which compensate state and local governments for the costs associated with some types of federal property. These include payments to states from Forest Service receipts, payments to states and counties from federal land management activities, payments to states from receipts under the Mineral Leasing Act, and a small payments-in-lieu of taxes program for local governments. There is no recommendation for any new or expanded PILOT program to compensate local governments for the property taxes foregone as a result of federal buildings, installations and land holdings.

The federal government plans to continue its speed-up in sales of surplus federal property. This acceleration and encouragement of sales to the private sector is expected to yield significant receipts to the federal government. Public benefit conveyances of federal land to state and local governments have been curtailed sharply.

Payments and loans to the District of Columbia would be cut from $567 million in FY84 to $469 million in FY85.

There are no funds for any new fiscal assistance program to state and local governments to stimulate job creation. In addition, there are no funds for any new infrastructure program. The budget document explicitly states that there will not be room in the budget for any new domestic spending program through the end of the decade.

FOOD STAMPS AND NUTRITION

While recent studies underscore the fact that hunger is increasing in cities across America, and while the President's own Task Force on Food Assistance has recommended modest restorations in the food stamp program and maintenance of the Women, Infants and Children (WIC) program at current levels, the President's FY85 budget proposes cuts in food stamps, child nutrition programs, and the WIC program.

FOOD STAMPS

The Administration request would provide $10.8 billion in FY85 for the food stamp program. This is $374 million less than it would be under current law in FY85, $550 million less than it is expected to be in FY84, and $1.2 billion less than last year. A supplemental appropriation of $308 million is proposed for FY84 to allow full payments of benefits to all eligible recipients throughout the remainder of the fiscal year. A proposed decrease of $176 million in the estimate of the FY85 level under current law is based on the Administration's expectation of lower unemployment and moderating inflation.

The changes proposed in the food stamp program include:

- Holding the states liable for all over-issued benefits that exceed three percent of each state's total issuance. FY85 cut: $503 million.

- Mandating states to require able-bodied food stamp recipients to perform public service work equal to the value of the food stamp allotment as a condition of eligibility. FY85 cut: $35 million.

- Considering households in which all members receive assistance through Aid to Families with Dependent Children (AFDC) automatically eligible for the food stamp program. This proposal will lower expenditures by $4 million as a result of reduced errors.

CHILD NUTRITION PROGRAMS

A budget of $3.55 billion is proposed for child nutrition programs for FY85, $30 million less than it would be under current law, but $119 million more than the estimated FY84 level and $380 million more than the FY83 level. A $546 million supplemental is proposed for FY84 to cover meals currently unfunded in the school lunch, school breakfast, and child care feeding programs due to a partial year FY84 appropriation. The Administration proposes the following changes in the program:

- The Child Care Food program and the Summer Food Service program would be consolidated into a Non-School Food Assistance Grant. This new block grant is intended to allow states autonomy in designing and operating their own child nutrition assistance programs outside a school setting. The block grant program would be funded at the same amount that would have been requested in FY85 for the two individual programs.

- The reimbursement rate for reduced price meals in the school lunch and breakfast program would be reduced by basing the rate on the Consumer Price Index rather than tying it to the reimbursement rate for free meals, as is the method under current law. This is expected to cut the program by approximately $6.7 million in FY85.

- Administrative grants to states will be increased to cover costs related to income verification in the school lunch program. While this is expected to cost an additional $3 million, the resulting independent verification is expected to create a net reduction of $37 million.

- The Nutrition Education and Training program would be eliminated cutting $5 million from the budget.

- U.S. Department of Agriculture (USDA) administration of child nutrition programs at sites which states refuse to operate would be eliminated.

The Special Milk program provides milk to children in schools or institutions that do not participate in another federally-subsidized meal program. The FY85 funding level of $19.5 million is $300,000 more than the FY84 current estimate. The only change proposed is to delete the requirement that USDA directly administer the Special Milk program at those sites not currently included in the state administered program.

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN

A budget request of $1.254 billion is proposed for the WIC program in FY85, $22.5 million less than the estimated FY84 level of $1.277 billion. A supplemental appropriation of $167 million is requested for FY84 to carry the program through the entire fiscal year. It is expected that the FY85 funding level will support an average participation rate of 2.7 million for low-income women and their children. The average participation rate for FY84 is 2.8 million, although FY84 began with an average rate of 2.96 million.

NUTRITION ASSISTANCE FOR PUERTO RICO

On July 1, 1982, a nutrition assistance block grant replaced the food stamp program in the Commonwealth of Puerto Rico. The Omnibus Budget Reconciliation Act of 1981 authorized $825 million annually for the grant. That funding level is proposed for FY85.

COMMODITY DISTRIBUTION

Commodities are used to supplement many of the food assistance programs. They are provided to the states for distribution to eligible schools and charitable institutions and organizations, including food banks serving needy persons. In FY83 USDA distributed over $1 billion in commodities through food banks and soup kitchens. This distribution will continue through FY85, as required by Public Law 98-92. That legislation also authorized $50 million for the payment of intrastate storage and distribution costs. The FY85 budget requests $50 million for this purpose.

HEALTH

The President's FY85 budget request for health services and entitlements totals $96.3 billion. Reductions in expenditures are proposed for Medicare and Medicaid. Similar cuts were proposed last year but were rejected by Congress. Funding slightly above current service levels is proposed for the four health block grants; most categorical programs are to remain at about 1984 levels.

MEDICARE

Cuts in the projected rate of spending are requested for the two entitlement programs that receive the largest chunk of federal health outlays. In FY85 Medicare, a federally financed medical insurance program for the elderly, is to be reduced by a total of $1.4 billion. Total outlays are set at $69.7 billion.

Medicare Initiatives and FY85 Changes Include:

- Limit tax free employer paid health benefits ($207 million to Medicare trust fund; $3.9 billion total government revenue).

  Under this plan, health benefits above a certain amount received from an employer would be subject to taxes by the employee. Tax free health benefits would be limited to $175 per month per family or $70 for individuals. It appears no adjustment will be made for sections of the country with high health care and/or insurance costs.

- Begin Medicare coverage on the first day of the month following the month in which age 65 was achieved ($265 million).

- Freeze physician reimbursement for one year ($600 million).

- Raise Part B premiums and deductibles ($296 million).

Department of Health and Human Services forecasters predict that in the absence of programmatic changes, the Medicare hospital insurance fund will be depleted in the future, but not during the 1985-89 budget years.

MEDICAID

For Medicaid, a program jointly supported by federal, state and local governments that provides medical care for the poor, elderly and disabled, funding reductions are requested amounting to $1.1 billion. Medicaid outlays in FY85 are estimated at $22.1 billion.

Medicaid Initiatives and FY85 Changes Include:

- Cost sharing by Medicaid recipients ($270 million).

  These changes would result in $1.00 to $1.50 co-payments by patients for physician, hospital, and clinic services, and $1.00 to $2.00 per day for inpatient service.

- Maintain reductions in federal share of Medicaid ($567 million). This change would extend to FY85 at the FY84 three percent reduction authorized under the 1981 Reconciliation Act; states would continue to assume a larger share of Medicaid costs.

PUBLIC HEALTH SERVICE

Block Grants

Funding requested for the four health block grants is $1,502 million, an increase of $33 million from FY84, but below appropriations for FY81, the year preceding block grant implementation.

HEALTH BLOCK GRANTS

BLOCK GRANT	FY81 APPROPRIATIONS (millions of dollars)	FY85 REQUEST
Primary Care[a]	$ 536.5	$ 533.4
Prevention	93.2	89.0
Alcohol, Drug Abuse & Mental Health	540.4	472.0
Maternal and Child Health	454.5	407.3
TOTAL	$1,624.6	$1,501.7

[a] Included in the Primary Care block grant are funds for Family Planning, Migrant Health and Black Lung programs.

Source: Appropriations Actions on FY84 President's Budget, Department of Health and Human Services, 11/8/83.
U.S. Budget, FY85.

MEDICARE AND MEDICAID OUTLAYS
(dollars in millions)

	FY80	FY81	FY82	FY83	EST. FY84	PROPOSED FY85
MEDICARE:						
Hospital and supplementary medical insurance:						
Existing law	$35,104	$42,489	$50,423	$56,841	$66,174	$76,636
Proposed legislation	---	---	---	---	(150)	(939)
Premiums and collections:						
Existing law	(69)	(3,340)	(3,855)	(4,253)	(4,960)	(5,908)
Proposed legislation	---	---	---	---	---	(107)
Total	35,035	39,149	46,568	52,588	61,064	69,683
MEDICAID:						
Existing law	13,957	16,948	17,391	18,985	20,237	23,196
Proposed legislation	---	---	---	---	---	(1,067)

Source: U.S. Budget, FY83.
U.S. Budget, FY84.
U.S. Budget, FY85.

U.S. Department of Health and Human Services, The Fiscal Year 1982 Budget.

The Administration is proposing to consolidate the current categorical grant programs -- Family Planning, Migrant Health and Black Lung -- into the Primary Care block grant. Also proposed is a shift in responsibility for administration of the four health block grants from program agencies in the Public Health Service to the Office of the Assistant Secretary for Health. Both plans were earlier proposed and rejected by the Congress.

Venereal Diseases (VD)

With disease rates at epidemic levels, funding for VD is to increase by $1 million over FY84 to $55 million.

Immunization

An increase of $4 million in funding for the childhood immunization program is requested, for a total of $46 million in FY85.

Acquired Immune Deficiency Syndrome (AIDS)

In FY85 the Administration is requesting an increase to $54 million, up from $48 million in FY84, for all AIDS-related activities. Requested for research and surveillance at the Centers for Disease Control is $12 million, the same amount as was available in FY84. No funding is requested for the Public Health Emergency Fund, authorized at $30 million.

Occupational Safety and Health

The FY85 budget requests a $9 million reduction for the National Institute for Occupational Safety and Health. The cut is related to phase-out of occupational health training, which the Department of Health and Human Services suggests is more appropriately supported by "private industry and students."[1]

Statistics

The National Center on Health Statistics, the sole source for much national health data, is to be cut from $47 million to $43 million.

Health Professions

The Health Resources and Services Administration (HRSA) will be reduced by $309 million with a FY85 budget request of $1 billion. Among this agency's responsibilities are provision of health professionals in medically underserved areas, support for training of needed health professionals, and provision of health services to Indians. Included in the FY85 budget plan for HRSA is elimination of the health planning program, previously funded at $58 million.

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[1]U.S. Department of Health and Human Services, The Fiscal Year 1985 Budget.

Alcohol, Drug Abuse and Mental Health Administration (ADAMHA)

ADAMHA, which conducts much of the training and research in these fields, is to be reduced by $33 million from FY84; mental health cuts of $24 million account for a large portion of planned reductions.

CONCLUSION

The FY85 health budget contains no major new proposals except for deep cuts in the Health Resources and Services Administration. Efforts to place all four health block grants under the direction of the Office of the Assistant Secretary for Health could portend politicization of health activities and services most appropriately administered by program personnel. Inclusion of the Family Planning Program in the Primary Care block grant is cause for similar concern. FY85 cuts requested for Medicare and Medicaid were proposed for FY84 and not acted upon.

CENTERS FOR DISEASE CONTROL
(millions of dollars)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
Venereal Diseases	$ 48	$ 48	$ 43	$ 48	$ 54	$ 55
Immunization	30	30	35	39	42	46
Infectious Diseases	27	26	28	37	50	46
Chronic and Environmental Diseases	18	18	22	25	26	26
Occupational Safety and Health	81	68	62	57	66	57
Epidemic Services	28	31	38	40	47	47[a]
User Fees	---	---	---	---	---	(2)
Buildings and Facilities	11	4	1	18	2	2
Program Management	4	3	2	3	3	3
TOTAL	$247	$228	$231	$267	$290	$280

[a] Included in this request is anticipated collection of $2 million from user charges for CDC diagnostic laboratory services. Thus the actual request is $45 million.

Source: U.S. Department of Health and Human Services, The Fiscal Year 1984 Budget.
U.S. Department of Health and Human Services, The Fiscal Year 1985 Budget.

HUMAN SERVICES

For the fourth year in a row -- and on the 20th anniversary of the passage of the Economic Opportunity Act -- the Administration once again proposes to eliminate a major base of support for the Community Action program, the Community Services Block Grant; it also proposes to eliminate the Legal Services Corporation. In all, human services programs are to be cut by $859 million, although the social services block grant will see a modest increase.

COMMUNITY ACTION

The Community Services Block Grant (CSBG), created in 1981 and funded at $342 million in FY84, is slated for elimination. The CSBG provides basic administrative support to over 900 community action and limited purpose agencies throughout the country. This support enables the agencies to coordinate other sources of funding -- federal, state, local and private -- to support local anti-poverty efforts. In addition the CSBG supports a variety of discretionary activities, including community development programs, rural housing programs, and the migrant and seasonal farmworkers programs. Budget authority of $3 million is requested to close out the program. The states would be expected to use other sources of funding, including the Social Services Block Grant, to fund those community services activities that they believe are of highest priority and most effective. Indeed the Department of Health and Human services suggests that by eliminating the CSBG the states are expected to gain greater flexibility to develop a mix of services and activities most appropriate to the unique social and economic needs of their residents.

The Legal Services Corporation, slated for elimination, is currently funded at $275 million. The Administration suggests again that the Social Services Block Grant should be used by the states to support legal services activities and that private attorneys are expected to increase free services to the indigent in accordance with the legal profession's ethical obligations.

The Administration proposes a 43 percent cut in Volunteers in Service to America (VISTA). The Older American Volunteer Programs -- Foster Grandparents, the Retired Senior Volunteer Program, and the Senior Companion Program -- would remain at the FY84 level during FY85. The citizen participation and volunteer demonstration programs would be decreased slightly, from $2 million in FY84 to $1.8 million in FY85.

SOCIAL SERVICES

Minimal increases are proposed for three social services programs:

- The Social Services Block Grant would be increased by $25 million, less than one percent over the FY84 level of $2.657 billion.

- Head Start would be increased by $4 million in nutrition reimbursements, a four percent increase in the total program. Head Start would serve the same number of children as in FY84, 429,100.

- Developmental Disabilities would be increased by approximately $2 million, a three percent increase. The increase would be in the state grant program.

Aging Programs, Family Social Services, Native Americans, and Rehabilitation Services all would be cut in the FY85 budget. In Aging programs, while the social services and meal programs would remain at the FY84 levels, a reduction of $17 million, or 77 percent, is proposed for training, research and discretionary projects.

In Family Social Services, a supplemental is requested for foster care ($38 million) and adoption assistance ($5 million) to provide sufficient funds to meet allowable FY83 and FY84 claims. The supplemental would bring foster care to $478 million in FY84, but it would be reduced to $460 million in FY85. Adoption assistance would increase to $10 million in FY84 (including the supplemental) and to $12.8 million in FY85. Child welfare services and training would remain at the current level in FY85; adoption opportunities and child welfare research and demonstration would be eliminated entirely.

For Rehabilitation Services and Handicapped Research, the basic state grants would remain at current levels and independent living project grants would increase. Research, training, and evaluation would be cut. Funding for the National Council on the Handicapped would no longer be supported under this account, but through the Education Department's salaries and expense account.

Elimination of the Work Incentives program is once again proposed. The Administration claims that this program has not proven cost-effective and suggests that mandatory work experience under the AFDC program, along with the Social Services Block Grant and the Job Training Partnership Act will allow states to provide additional social and employment services to AFDC recipients.

FOOD AND SHELTER

While the Department of Health and Human Services' release indicates that the Office of Community Services has the lead role in a coordinated federal effort with state and local governments and the private sector to house and feed homeless Americans, no funds appear in the budget for this purpose. Rather the government is making available surplus buildings and unmarketable food items from military commissaries to local governments and agencies.

No funds are included in the President's budget to continue the emergency food and shelter program enacted as part of the March, 1983 Jobs Bill. One hundred million dollars was appropriated for this program in FY83; $40 million has been appropriated for the first half of FY84. The report of the President's Task Force on Food Assistance included a recommendation calling for continuation of this program.

SELECTED HUMAN SERVICES PROGRAMS
(budget authority in millions of dollars)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
Community Action						
VISTA	$33	$33	$18	$14	$14	$8
Older American Volunteer Programs	83	89	84	88	88	88
Legal Services Corporation	300	321	241	241	275	---
Community Services Block Grant	561	527	366	367	342	3
Total	980	972	711	710	710	99
Social Services						
Social Services Block Grant	2,636	2,991	2,400	2,675	2,675	2,700
Head Start	736	814	909	912	996	1,075[b]
Aging Programs	647	623	635	786[c]	790[c]	773[c]
Family Social Services	276	506	465	572	669	642
Work Incentives	365	365	281	271	271	--
Native Americans	35	34	28	28	29	28
Developmental Disabilities	62	49	58	61	62	64
Rehabilitation Services	758	924	952	1,045	1,121	1,092
Total	5,515	5,306	5,728	6,350	6,613	6,374
TOTAL	$6,495	$7,278	$6,439	$7,060	$7,332	$6,473

[a] Figures for FY80 and FY81 represent programs administered by the Community Services Administration which were consolidated into the Community Services Block Grants in FY83 and moved to the Office of Community Services in the Department of Health and Human Services.

[b] Includes $80 million transferred from USDA Child Nutrition Programs.

[c] Includes $116 million for the USDA elderly feeding program proposed for transfer to HHS in FY85.

Source: U.S. Budget, Appendix, FY82, FY83, FY84, FY85.

INCOME SECURITY

Several means-tested income security programs are slated for budget reductions in FY85. The Old Age, Survivors and Disability Insurance (OASDI) program, which is financed by the Social Security Trust Funds rather than appropriations and is not means-tested, however, is expected to experience normal growth, with no legislative changes proposed.

SOCIAL SECURITY

FY85 budget projections for the OASDI program reflect implementation of the 1983 Social Security Amendments (PL 98-21). That legislation included provisions for reducing future growth in expenditures by shifting cost-of-living adjustments to a calendar year basis, eliminating windfall benefits for certain workers with pensions from non-covered employment, and a gradual increase in the retirement age from 65 to 67 beginning in 2000. Also included were provisions to increase reserves such as coverage of newly hired federal employees and employees of nonprofit organizations, inclusion of up to 50 percent of social security benefits in the taxable income of higher-income beneficiaries with the resulting revenue credited to the Trust Funds, and increases in and reallocations of Social Security tax rates. In addition the 1983 amendments established a "stabilizer" provision under which automatic annual benefit increases would be based on the lower of price or wage increases if the Trust Fund balance at the end of the prior year is less than 15 percent of outlays for the following year. It is not expected that the stabilizer will be triggered in the next several years.

The FY85 Social Security budget does reflect, however, proposed revenue increases of $886 million that would result from the Administration's plan to tax currently tax-free employer-paid health benefits on amounts over $175 per month for a family plan and $70 per month for an individual.

The growth in outlays for OASDI is accounted for by an expected increase of 700,000 beneficiaries (to a total of 38.3 million beneficiaries in FY85), a higher average benefit amount due to higher earnings of newer beneficiaries, and the annual cost-of-living increase, estimated at 4.3 percent for January 1985.

While no legislative changes are proposed for the disability insurance program, some of the difficulties relating to continuing disability reviews are highlighted, as are some of the reforms undertaken by the Department of Health and Human Services, including the exemption of 40 percent of disabled workers beneficiaries from the three-year review through an expanded definition of permanent disability.

SUPPLEMENTAL SECURITY INCOME (SSI)

SSI benefit payments are expected to increase by $332 million in FY85

due to a cost-of-living increase of 4.3 percent and a projected increase in the blind and disabled population.

A $16 million cut in SSI is proposed for FY85. The Administration will seek legislative authority to recover overpayments made to an individual under either OASDI or SSI from current benefits payable to the same individual from the other program. Legislation will also be sought to allow "windfall" SSI benefits to be offset against OASDI benefits already paid for the same period.

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

Under current law, outlays for AFDC are expected to increase by $260 million in FY85. The Administration proposes, however, $633 million in program cuts -- cuts which were proposed last year and rejected by the Congress:

- Consideration of total family income in determining eligibility. FY85 reduction: $143 million.
- Adjustment of shelter and utility expenses for families living in large households to recognize the economies of sharing living expenses. FY85 reduction: $263 million.
- Exclusion of the needs of an employable parent or other caretaker relative in calculating AFDC benefits when the youngest child reaches 16. FY85 reduction: $17 million.

The AFDC budget also proposes $39 million in cuts that would require states to prohibit payments when parental absence is due to employment, to sanction individuals who choose not to work, to register parents for work if child care is available, and to limit assistance to minor mothers not living with their parents.

CHILD SUPPORT ENFORCEMENT

The Administration proposes $19 million in cuts in the Child Support Enforcement program -- legislative changes intended to create a new financing structure that would provide explicit incentives for both AFDC and non-AFDC collections and promote more cost-effective programs. In 18 states total program costs exceeded total AFDC collections during FY83. Included among the proposed cuts are a reduction in the federal financial participation rate from 70 percent to 65 percent and performance-based incentive payments to states for both AFDC and non-AFDC collections, subject to the limitation that non-AFDC incentive payments cannot exceed a state's AFDC incentive payments.

LOW INCOME HOME ENERGY ASSISTANCE

The Administration proposes to continue the Low Income Home Energy Assistance Program (LIHEAP) at the FY84 budget authority level of $1.875 billion. A slight decrease in outlays is anticipated, however.

A significant change is proposed, however, in the source of financing for the program. Its appropriation would be derived from a newly established "Petroleum Overcharge Restitution Fund" which would consist of revenues from existing oil escrow accounts in the Department of Energy and future oil overcharge litigation settlements. General revenue appropriations into the fund would be authorized, however, to ensure that sufficient resources are available to support LIHEAP, along with the Department of Energy's Weatherization and Schools and Hospitals grant programs. Advocates of the establishment of such a fund, including the Conference of Mayors, have intended it to be used to support new initiatives, not existing efforts.

UNEMPLOYMENT COMPENSATION

Outlays for unemployment compensation are expected to decline slightly in FY85 due to a decline in the projected average unemployment rate from 8.0 percent in FY84 to 7.6 percent in FY85.

The federal supplemental compensation program -- which pays up to 14 additional weeks of benefits to those who use up all their weeks of regular and, where available, extended benefits -- is due to expire March 31, 1985. No continuation of this program is proposed by the Administration.

REFUGEE AND ENTRANT ASSISTANCE

Outlays for refugee and entrant assistance are expected to decrease significantly in FY85 to $419 million, down from $599 in FY84. Budget authority for this reimbursement program would go even lower, to $360 million in FY85. This represents a reduction of $155 million from the levels authorized under the FY84 Continuing Resolution. Specifically, the Administration is proposing the following cuts: $96 million, a total of $261 million in the cash and medical assistance program; $63 million in the targeted assistance program, funded at $82 million in FY84; and, $4 million, to a total of $13 million in education assistance.

The projected decrease is due to several factors:

- An anticipated decline in the numbers of refugees who are eligible for cash and medical assistance.
- A parallel reduction in the need for targeted assistance and education assistance as the eligible refugee population declines.
- Decreased refugee admissions to the United States, for the third consecutive year, in 1985.

The Administration reaffirmed in the budget proposal its support for a policy in FY85 that would make voluntary resettlement agencies responsible for the basic needs of refugees during their first 90 days in this country.

SELECTED INCOME SECURITY PROGRAM OUTLAYS
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
Social Security Trust Funds						
OASI	$103,227	$122,304	$137,929	$153,989	$163,180	$174,358
DI	15,322	17,280	18,035	18,291	18,528	18,803
Interest Payments for Interfund Borrowing	---	---	---	(1,447)	(1,883)	(1,883)
Subtotal OASDI	118,559	139,584	155,964	170,833	179,824	191,278
Supplemental Security Income[a]	6,395	7,192	7,677	8,724	8,554	9,349
AFDC	6,113	6,817	7,531	7,875	7,517	7,144
Child Support Enforcement	384	420	459	516	561	558
Low Income Home Energy Assistance	1,600	1,734	1,875	1,993	1,887	1,875
Unemployment Compensation	16,440	18,739	24,282	32,655	24,800	24,700
Refugee and Entrant Assistance Programs	517	902	689	524	599	419

[a] The FY83 figure for SSI includes 13 months of benefit payments; the FY84 figure reflects 11 months of benefit payments; FY85 has the normal 12 months of payments.

Source: The Budget of the United States Government, Appendix FY82, FY83, FY84, FY85.

PUBLIC SAFETY

CRIMINAL JUSTICE

The Administration's FY85 budget request for the Department of Justice is $3.67 billion, a seven percent increase over FY84 levels of $3.45 billion. The budget proposal emphasizes three major themes: controlling the borders against illegal immigration, combatting organized crime and illegal drug trafficking, and providing additional litigative resources to prosecute criminal and civil tax violators. The budget also reflects continued efforts to increase construction and expansion of federal prisons, and to further affect large-scale application of modern technology to the federal justice system.

Specifically, major increases in the Department of Justice's FY85 budget include: $43.6 million and 1,000 additional positions for the Immigration and Naturalization Service, primarily to strengthen immigration control on the southwestern border of the country; $24.2 million for expanding enforcement activities of the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), and the regional Organized Crime Drug Enforcement Task Forces relating to organized crime and illegal drug trafficking; $74.5 million for federal prison construction and $12.2 million for the activation of federal prison housing units; and $65 million for increased application of modern technology in a number of projects across the Department.

The Administration is also requesting $66.8 million for a criminal justice state and local assistance grant program, contained in the Justice Assistance Act of 1984 which it expects will be enacted this year. This request represents a slight increase ($.5 million) over the amount Congress appropriated for the program in FY84. Eighty percent of the program's funds will be awarded to states through formula grants with pass-through provisions to local governments. The remaining 20 percent will be distributed as discretionary grants and used for training, technical assistance and demonstration projects.

For the fourth successive year, the Administration is proposing the elimination of the juvenile justice and delinquency prevention programs, funded at $67.6 million in FY84. These are the only criminal justice programs that still provide assistance to state and local governments. The Administration's repeated attempts to eliminate them are based on the presumption that the programs' primary objectives have been largely accomplished and that resources to deal with serious juvenile offenders will be available through the new criminal justice assistance program.

The combined budget request for the National Institute of Justice and the Bureau of Justice Statistics is $38.2 million, a $2.7 million increase from FY84.

The FY85 budget request for the FBI is $1.16 billion, which represents a nine percent increase from FY84. Funds for state and local training, laboratory, identification and information services in the FBI's budget, however, include a 15 percent reduction, or a total of $113 million, for FY85.

A $44 million increase, from $291 million to $335 million, is requested for the Drug Enforcement Administration. DEA's FY85 budget includes $16.7 million for cooperative law enforcement activities with state and local government, such as the provision of training, laboratory analysis and expert witnesses. However, the Administration is again proposing the elimination of grants, funded at $9.9 million in FY84, which provide assistance to state and local law enforcement agencies in the exchange of drug-related intelligence information.

The FY85 budget request for the Community Relations Services (CRS) is $34.1 million. However, 81 percent of the amount requested, or $27.6 million, is for the processing, care, and resettlement of Cuban and Haitian entrants. Administrative responsibilities relating to entrants were transferred to CRS from the Office of Refugee Resettlement of the Department of Health and Human Services in FY82. Heretofore, CRS had been solely involved in assisting communities in resolving difficulties arising from racial and ethnic conflict and discrimination, primarily through conciliation and/or mediation. The FY85 budget request for CRS's activities relating to prevention and conciliation of community disputes is $6.6 million, slightly more (less than $1 million) than the amount authorized in FY84.

Comment

This year's budget reflects continued efforts by the Reagan Administration to increase expenditures for federal criminal justice and law enforcement activities. The $3.67 billion budget request for the Department of Justice (DOJ) represents a 57 percent increase over the $2.34 billion authorized in FY81. It is important to note, however, that state and local governments' criminal justice systems have been excluded from this growth in funding. In the past four years, the only criminal justice programs which have provided direct financial assistance to state and local governments have been those relating to juvenile justice and delinquency prevention and whose funding have remained relatively constant. In fact, state and local governments' share of DOJ's budget has been steadily decreasing over the past decade. In FY75, for example, $895 million, or 42 percent of DOJ's $2.12 billion budget, was authorized for the Law Enforcement Assistance Administration (LEAA) -- the primary source of federal aid to state and local criminal justice systems between FY69 and FY80. Approximately $480 million of that amount was allocated to state and local governments through formula grants. In contrast, the Administration's FY85 budget request for assistance to state and local governments' criminal justice systems is $66.8 million, or almost two percent of DOJ's total budget.

EMERGENCY PREPAREDNESS/CIVIL DEFENSE

The FY85 budget request for the Federal Emergency Management Agency (FEMA) reflects the Reagan Administration's continued commitment to increase expenditures for civil defense and emergency preparedness. The Agency's two

major program components -- State and Local Assistance, and Emergency Planning and Assistance -- have been combined into a single component. A 25 percent increase, to $396 million, is requested for these activities.

The Administration is proposing $219 million for civil defense; this represents a 56 percent increase over FY84. The budget request for federal preparedness activities is $101 million, a six percent or $5.7 million increase from FY84. The Comprehensive Emergency Preparedness Planning program, which assists state and local governments in improving their capacity to prepare for and respond to disasters and emergencies, is being funded at $6.7 million, slightly more ($1 million) than in FY84. $3.6 million, the same amount authorized in FY84, is requested for the Radiological Emergency Preparedness Program. This program assists state and local governments in improving their capacity for dealing with radiological accidents occurring at nuclear facilities and resulting from the transportation of radioactive materials. The Administration is requesting a combined total of $19.6 million, a $7.2 million increase from FY84, for FEMA's training and fire prevention programs. $2.5 million of that amount will be used by the U.S. Fire Administration to increase efforts in standardizing fire codes and promoting the utilizaton of sprinklers in family dwellings. A $12.4 million reduction, or a total of $46.2 million, is proposed for the flood plain management activities.

The Administration is not requesting new funding authority in FY85 for the National Insurance Development Fund which supports the Fair Access to Insurance Requirements (FAIR) Plan/Riot Reinsurance program and provides reasonable access to essential property insurance in urban areas; the Federal Crime Insurance program provides burglary and robbery insurance on properties where coverage is not available in the private market. The Supplemental Appropriation Act of 1984 did not extend authority for the Riot Reinsurance Program beyond November 1983 or for the Federal Crime Insurance Program beyond September 1984. The FY85 budget assumes there will be no new insurance policies issued subsequent to those dates. However, $17.3 million, a $3.2 million increase over FY84, is requested to cover costs associated with unexpired policies. A $20 million reduction, or a total of $70 million, is requested for the National Floor Insurance Fund.

SCIENCE AND TECHNOLOGY

The Administration's proposed FY85 budget for local government science and technology reflects a lack of commitment to the application and transfer of federal research and development efforts to local governments. Major portions of the Stevenson/Wydler Technology Innovation Act have not been implemented by the Department of Commerce, and the major local government program within the National Science Foundation is at a decade low.

NATIONAL SCIENCE FOUNDATION

NATIONAL SCIENCE FOUNDATION
(dollars in millions)

FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
996.3	1,022.4	995.6	1,093.9	1,322.0	1,501.8

Source: U.S. Budget, FY80, FY81, FY82, FY83, FY84, FY85.

The FY85 budget proposed for the National Science Foundation (NSF) is $1.502 billion, a 13.6 percent increase over the FY84 level of $1.322 billion. Almost all categories of basic research received significant increases in funding, especially engineering at 21.8 percent and mathematical and physical sciences at 16.1 percent. The majority of this basic research is conducted in academic institutions.

NSF's Scientific, Technological, and International Affairs Directorate (STIA) has the responsibility to provide better understanding of the use of science and technology by different sectors of society. The FY85 budget request for the Directorate is up 14.9 percent to $46.9 million. However, almost all of this $6.1 million increase is mandated by law under the Small Business Innovation Research program (SBIR). Other programs to encourage industry/university cooperative research projects, research centers and productivity improvement research received no funding increases.

In particular, the Integovernmental program within STIA remains at its FY84 level of $500,000 which represents the lowest budget figure for this program in the last 11 years. The Intergovernmental program is the only effort within NSF to assist state and local governments in use of federal science and technology to improve productivity and service delivery mechanisms.

As in FY84, the NSF has no program in FY85 to support the implementation of the Stevenson/Wydler Technology Innovation Act which requires federal laboratories to share technologies and provide technical assistance to state and local governments. Also, no funds have been allotted for the Federal Laboratory Consortium, the principal technology transfer arm of the nation's largest 350 federal laboratories.

DEPARTMENT OF COMMERCE

The Department of Commerce (DOC) budget contains no funds for the operation of the Center for the Utilization of Federal Technology (CUFT) as mandated by Section 11 of the Stevenson/Wydler Technology Innovation Act of 1980. In FY83 and FY84 CUFT received $500,000. CUFT was designed to work jointly with the Federal Laboratory Consortium to expedite the transfer of research and development from over 700 federal laboratories to state and local governments and the private sector. Also, DOC's budget includes no funds for the establishment of Centers for Industrial Technology authorized under Section (b) of the Stevenson/Wydler Act. These Centers were to promote technological innovation and commercialization of federal research and development activities. Likewise, no funds have been budgeted to assist federal laboratories in special technology transfer projects with local governments and small businesses that may require special adaptive engineering studies, as authorized in Stevenson/Wydler.

SMALL BUSINESS ADMINISTRATION

The Small Business Administration, through its Small Business Innovation Research Program (SBIR) will monitor in FY85 an estimated $200 million of federal research and development (R&D) funds set-aside for research and development by small, high technology firms. Under current law, research agencies in FY85 are required to contract out between one-half and one percent of their R&D budget to small firms. In FY83 $40 million was set aside and in FY84, $118 million. The enabling legislation for SBIR requires that civilian agencies achieve 1.25 percent set-aside by FY86 and that the Department of Defense achieve the same set-aside level by FY87. The SBIR program promotes opportunities for small, high technology firms to participate in federal research and development and to stimulate technical innovation in both the federal R&D community and the private sector.

TRANSPORTATION

The Administration's proposed FY85 transportation budget provides for level funding of most transportation programs of importance to cities. A key exception is operating assistance for public transportation which would be cut by 35 percent.

The budget calls for spending $19.9 billion for highway, mass transit and railroad programs, about $900 million less than is appropriated for FY84. Funding for air transportation would increase by $1.1 billion to $6.4 billion.

PUBLIC TRANSPORTATION

The Administration's budget for public transportation calls for an overall decrease from FY84 levels of $177.2 million. A significant portion of this cut, $125 million, is mandated by a reduction in the authorizing legislation for the Section 3 discretionary grant program between FY84 and FY85.

The Section 9 block grant would be continued at its FY84 level of about $2.4 billion despite an increase in the authorization from $2.75 billion to $2.95 billion.

The budget renews the Administration's call for the elimination of operating aid. The Administration asks that the entire reduction be borne by medium and large-sized cities -- a discriminatory cut of unprecedented proportions.

With regard to interstate transfer transit funds, the budget's proposed 15 percent cut, from $295 to $245 million, indicates that past commitments made to the nation's cities concerning the availability of these funds will not be kept, unless Congress increases funds for this program. The funding proposed will not support projects planned for FY85 by cities with interstate transfer entitlements.

HIGHWAYS

The budget continues the increase in federal highway and bridge spending called for in the Surface Transportation Assistance Act of 1982. It also continues the trend towards a greater emphasis on infrastructure repair.

The Administration proposes an increase in Federal Aid Urban System (FAUS) from $800 million to $850 million. FAUS funds are the only federal aid highway funds allocated directly to the cities. They may be used for highways, streets or transit capital projects.

On interstate transfer highway funds, the level of funding proposed for FY85, $650 million, is $50 million below the authorized level and does not recognize the need to significantly decrease the multi-billion dollar outstanding obligation for interstate transfer projects. As the FY90 deadline for completion of all interstate transfer projects approaches, funding for this program should be increased dramatically.

AIRPORTS

The budget calls for an increase of 22 percent in spending from the Airport and Airway Trust Fund. This increase still does little to reduce the unappropriated balance in the trust fund, which would stand at $3.6 billion at the end of FY85 under this plan.

The grant-in-aid program for airports, which is used for airport planning and development and noise abatement, would receive a 23 percent boost to $987 million.

RAILROADS

The budget calls for a cut of five percent in grants to Amtrak and the elimination of the Local Rail Service Assistance program which provides grants to states for rehabilitation of light density rail lines. The budget contemplates the end of the Northeast Corridor Improvement program and the end of aid to Conrail.

SUMMARY

Despite some stability and increases in transportation funding, the Administration's budget fails to carry out the intent of Congress in key areas.

Perhaps of greatest concern to Mayors is the proposed enormous cut in operating assistance for public transportation for medium and large size cities -- those over 200,000 in population. In addition, the budget calls for funding transit block grants at a level $560 million below the authorization.

As principal supporters of the landmark Surface Transportation Assistance Act of 1982, the nation's Mayors support full funding of the transit block grant program.

Another cause of concern is the inadequate funding proposed for interstate transfer grants. The multi-billion dollar balance outstanding in the program and the impending deadline for the completion of interstate transfer projects require significantly greater funding.

Increases proposed for highway and airport programs are consistent with congressional intent and Conference of Mayors policy.

PUBLIC TRANSPORTATION BUDGET AUTHORITY
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84[a]	PROPOSED FY85
Discretionary Grants	$1,710.0	$1,970.0	$1,680.5	$1,691.6	$1,225.0	$1,100.0
Bus and Bus Facilities	405.0	580.0	530.6	521.0	195.0	100.0
Rail Modernization	760.0	945.0	879.5	866.9	545.5	520.0
New Starts and DPMs	410.0	385.0	179.9	243.8	399.5	400.0
Urban Initiatives	80.0	20.0	29.5	---	---	---
Planning and Other	55.0	40.0	61.0	60.0	85.0	80.0
Formula Grants	1,405.0	1,455.0	1,365.0	1,979.0	2,388.6[b]	2,389.5
Operating Assistance	1,105.0	1,105.0	1,036.0	875.0	875.0	545.5[c]
Capital	300.0	350.0	329.0	1,104.0	1,513.6	1,844.0
Research and Training/ Administration	95.2	76.5	75.4	86.3	84.0	76.3
Small Urban/Rural	55.6	73.0	68.5	68.5	(69.9)[d]	(70.01)
Interstate Transfer[e]	800.0	865.0	538.0	412.0	295.4	250.0
Other[f]	2.4	10.0	---	240.0	250.0	250.0
TOTAL	$4,068.2	$4,449.5	$3,727.4	$4,477.4	$4,243.0	$4,065.8

[a] Beginning in FY84, Section 3 Discretionary Grants are funded by federal motor fuel tax revenues set aside for transit purposes.

[b] In FY84, the Section 5 Formula program is replaced by the Section 9 Block Grant.

[c] The cut in Operating Assistance proposed by the Administration would result in cuts of 50 percent for cities over 1,000,000 population and 25 percent for cities between 200,000 and 1,000,000.

[d] Beginning in FY84, all Small Urban and Rural funds are derived from the Section 9 Block Grant.

[e] For FY80-81, projects are Transit and Highway. FY82-85 figures are for Transit projects only with highway projects included in the highway budget.

[f] In FY83-85, amounts are for Washington Metrorail construction from 1980 Stark Harris legislation.

FEDERAL HIGHWAY PROGRAM OBLIGATIONS
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84	PROPOSED FY85
Trust Fund Programs						
Federal Aid Highways	$8,076.7	$8,974.8	$8,188.8	$12,825.2	$13,209.4	$13,975.0
(Obligation Ceiling)	---	---	---	(11,600.0)	(12,600.0)	(13,875.0)
Interstate Construction	2,889.4	3,676.5	3,081.2	4,310.4	4,300.0	4,400.0
Interstate 4R	490.2	249.3	578.0	1,750.6	1,975.0	2,100.0
Primary[a]	1,604.7	1,751.9	1,489.5	2,050.2	1,800.0	1,900.0
Rural and Small Urban	772.9	456.2	387.0	602.3	500.0	550.0
Urbanized Area	734.0	891.9	731.6	878.4	800.0	850.0
Bridge Construction	773.5	937.6	979.2	1,388.2	1,650.0	1,750.0
Safety and Other	812.0	1,011.4	942.3	1,487.6	1,694.4	1,775.0
Interstate Transfers[b]	---	---	288.0	843.1	646.6	650.0
Miscellaneous Programs						
(includes non-trust fund activities)	272.0	130.5	77.6	154.1	143.3	139.0
TOTAL	$8,348.7	$9,105.3	$8,554.4	$13,465.4	$13,509.3	$14,114.0

[a] Primary funds are assigned to urban or rural program depending on where they are spent.

[b] Funded from general revenues in FY80-82, from a mix of general revenues and trust fund in FY83-84 and from trust fund alone in FY85.

SAFETY

The FY85 budget authority request for the National Highway Traffic Safety Administration is $96.9 million, $8.2 million over FY84. Increases are requested for all major program categories, with the exception of Highway Safety programs for which a decrease of $1.6 million is requested. The Highway Safety programs relate most directly to the concerns of the cities providing technical assistance to state and local governments on the conduct of their highway safety program; demonstration programs emphasizing alcohol countermeasures and safety belt usage to reduce highway fatalities and injuries; and the national driver register.

VETERANS

In the years between FY82 and FY85, the federal budget for the Veteran's Administration (VA) has increased from $24.7 billion to a proposed $27.2 billion.

VETERANS ADMINISTRATION BUDGET AUTHORITY AND OUTLAYS
(dollars in billions)

	FY82	FY83	FY84	FY85
Budget Authority	$24.7	$24.9	$26.1	$27.2
Actual Outlays	23.9	24.8	---	---
Estimated Outlays	---	---	25.7	26.7

Source: U.S. Budget, FY82, FY83, FY84,FY85.

The increase of $1 billion in outlays from FY84 to FY85 is largely attributable to cost-of-living increases in compensation and pension payments. An increase of 3.5 percent became effective in January 1984, and the Administration estimates that the increase in January 1985 will be at the rate of 4.3 percent. Other increases are found in benefits to be made available under the GI Bill, in expenditures for medical programs, and in the planning of new nursing home and hospital facilities.

The Administration is proposing no new authority for the Emergency Veterans' Job Training Act, a substantial reduction in new obligations on VA mortgages, and an elimination of the VA Education Loan Program.

In light of the fact that almost all World War II veterans will be reaching age 65 in the 1980s, continued increases in the medical program and the nursing home and hospital construction programs are proposed. Most of the construction proposals are for interim rehabilitation of facilities and the dedication of funds for planning and site work on the construction of two replacement hospitals -- in Augusta, Georgia and Houston -- and for modernization of facilities in Mountain Home, Tennessee and New York City. A total of $822 million is requested for VA medical contruction in 1985.

The Administration will be proposing legislation, to be effective in January 1985, to provide a 15 percent increase in basic GI training benefits available to Vietnam veterans. Benefits under the GI Bill were last

increased in January 1981. It is estimated that the increased benefit level will induce an additional 8,400 Vietnam-era veterans to take advantage of the GI Bill. The proposed legislation would add $133 million in budget authority in the FY85 budget.

The Administration, however, will request legislation to repeal the VA's authority to make educational loans, to be effective October 1, 1985. "The VA Education Loan Program has experienced excessively high default rates. Congress has previously acted to repeal loans available to most veterans. Full repeal of this program would reduce a source of continuing overpayments."[2]

In 1983, the Congress passed the Emergency Veterans' Job Training Act (P.L. 98-77) which was to provide assistance to employers in industries where there was a demonstrated need for new labor. The statute authorizes $150 million per year for two years. The Administration is relying on $130 million in budget authority provided in FY84 to fund the program for both FY84 and FY85, calling for outlays of $31.8 million in FY84 and $95.7 million in FY85. No additional "appropriation will be needed in 1985 since the economic conditions which the Emergency Veteran's Job Training Act of 1983 purposed to relieve will have been alleviated."[1]

An administrative change has been proposed whereby non-veterans will not be able to assume VA-guaranteed loans. This change will result in a reduction in new obligations (credit budget commitments) from $630 million in FY84 to $396 million in FY85. New obligations in FY83 were $1.058 billion.

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[1] U.S. Budget, Appendix, pg. I-X6.
[2] U.S. Budget, Appendix, pg. I-X24.

GLOSSARY

APPROPRIATION

The actual amount of funds Congress makes available for a program or agency in a fiscal year. An appropriation is the most common means of providing budget authority, and usually follows an authorization bill. Appropriations simply represent the maximum amount an agency may spend during the specified time period.

AUTHORIZATION

Legislation which establishes or continues a federal program or agency, specifies its general goals and conduct, and usually sets a ceiling on the amount of money which can be spent for it (in some cases, "such sums as may be necessary"). Authorizing legislation normally is enacted before an appropriation or other kind of budget authority.

BACKDOOR AUTHORITY or BACKDOOR SPENDING

Budget authority or spending mandated without action by the appropriations committees. In some cases, a permanent appropriation continues without any current Congressional action. Programs with backdoor authority included the highway trust fund, the Environmental Protection Agency's construction grants, and the social security trust funds.

BUDGET AUTHORITY (BA)

Budget authority is the permission granted to an agency or department to make spending commitments. This includes hiring workers (committing funds for salaries), contracting for procurement or any other purpose (committing funds for payment at some future date upon completion of the contract), and all other government activities. In most cases, budget authority is not the level at which a program or agency will function during a fiscal year, but is merely the upper limit of new spending commitments that can be made that year. Budget authority itself does not involve the exchange of cash.

BUDGET DEFICIT

The amount by which the government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by borrowing from the public.

BUDGET SURPLUS

The amount by which the government's budget receipts exceed its budget outlays for any given period.

CONCURRENT RESOLUTION ON THE BUDGET

A resolution passed by both Houses of Congress, but not requiring the signature of the President. The first concurrent resolution sets forth a target Congressional budget. The second concurrent resolution revises or reaffirms these targets and sets an absolute spending ceiling and minimum revenue level. If needed, subsequent resolutions for a fiscal year may be adopted at any time after the second concurrent resolution. These resolutions shall include:

- The appropriate level of total budget outlays or total new budget authority.
- An estimate of budget outlays and new budget authority for each major functional category of the budget.
- The amount, if any, of the surplus or deficit in the budget.
- The recommended level of federal revenues.
- The appropriate level of the public debt.

CONTRACT AUTHORITY

Contract authority is the amount of funding for which an agency may enter into binding commitments to make payments over some period of time. Contract authority may equal only one year's appropriation in the case of a program which involves single-year financing. It can also obligate the governments to make payments for much longer periods of time. In federal housing programs, for instance, contract authority of about $1 billion can translate into budget authority totaling more than $30 billion. In programs where contract and budget authority are both used to measure commitments, the contract authority figure is usually the total of the annual contributions which the program will require in one year.

CONTINUING RESOLUTION

Legislation that extends budget authority for specific existing activities when the regular appropriation has not been enacted by the beginning of the fiscal year. Continuing resolutions in recent years have been used to finance most government programs.

CONTROLLABILITY

The extent to which the level of spending for a particular program can be limited during a fiscal year without changing existing law. "Relatively uncontrollable" generally refers to spending for entitlement programs such as social security and veterans' benefits, fixed-costs such as interest on the public debt, and commitments from previous years.

CURRENT SERVICES BUDGET

A budget that projects estimated budget authority and outlays for the upcoming fiscal year at the same program level and without policy changes as the fiscal year in progress. To the extent mandated by existing law, estimates take into account the budget impact of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and mandated benefit changes. The Congressional Budget and Impoundment Control Act of 1974 requires that the President submit a current services budget to the Congress by November 10 of each year.

DEFERRAL

Any action or inaction by any officer or employee of the United States which delays the obligation or expenditure of budget authority. Under the Congressional Budget and Impoundment Control Act of 1974, the President is required to report each proposed deferral to the Congress in a special message. Deferrals may not extend beyond the end of the current fiscal year and may be overturned by the passage of a resolution by either House of the Congress.

ENTITLEMENT AUTHORITY

Legislation that requires the payment of benefits to any person or government meeting the requirements established by such law, e.g., social security benefits and veterans' pensions.

FISCAL POLICY

Federal taxes, spending, and debt-management policies intended to promote the nation's economic goals, particularly with respect to employment, gross national product, price stability, and balance of payments. The budget process is a major vehicle for determining and implementing federal fiscal policy.

FISCAL YEAR

Any yearly accounting period without regard to a calendar year. The fiscal year for the federal government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends, e.g., FY84 is the fiscal year ending September 30, 1984.

FUNCTION (FUNCTIONAL CLASSIFICATION)

The Congressional Budget and Impoundment Control Act of 1974 requires the Congress to estimate outlays, budget authority, and tax expenditures for each budget function. The functional classification is a means of presenting budget authority, outlay, and tax expenditure data in terms of the principal purposes which federal programs are intended to serve. Each account generally is placed in the single function (e.g., national defense, health) that best represents its major purpose, regardless of the agency administering the program. Functions generally are subdivided into narrower categories called subfunctions.

IMPOUNDMENT

Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress. (See "Deferral of Budget Authority" and "Rescission.")

LINE-ITEM VETO

Authority for the President to veto one or more sections, or "line-items," of an appropriations bill. Currently, the President must sign or veto the entire bill without change.

OBLIGATIONS

Spending commitments of the federal government, including contracts awarded, services rendered and orders placed, requiring future outlays -- distinct from actual payments. Obligations may not be larger than budget authority.

OBLIGATED BALANCE

The amount of budget authority committed but not yet spent. This balance may be carried forward indefinitely until the obligations are paid.

OUTLAYS

Outlays are the actual amount of dollars spent for a particular activity. In almost all cases the level of outlays usually is the most important number to examine in determining how a program has fared in the budget. The level of outlays compared to the level of revenues determines whether the budget is in surplus or deficit.

REAPPROPRIATION

A carryover of funds from one fiscal year to the next which is authorized by public law. Such a carryover bypasses the Congressional procedures and requirements on rescissions and deferrals.

RECONCILIATION

A process used by the Congress whereby the Budget Committees direct the standing committees to make cuts or revenue changes of a certain size in their programs. The actual reductions are then packaged together in an omnibus reconciliation measure. The Congress can use the reconciliation process to adopt major substantive changes in authorizing law and appropriations levels, including the enactment of block grants and reductions and changes in entitlement programs.

RESCISSION

A bill or joint resolution which provides for cancellation, in whole or in part, of budget authority previously granted by the Congress. Rescissions proposed by the President must be transmitted in a special message to the Congress. Under the Congressional Budget and Impoundment Control Act of 1974, unless the Congress approves a rescissions bill within 45 days of continuous session, the budget authority must be made available for obligation.

SUPPLEMENTAL APPROPRIATION

An appropriation enacted as an addition to a regular annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until the next regular appropriation.

TAX EXPENDITURES

Losses of tax revenue attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, preferential rate of tax, or a deferral of tax liability. The Congressional Budget and Impoundment Control Act of 1974 requires that estimated levels of tax expenditures be represented in the President's budget.

TOTAL OBLIGATIONAL AUTHORITY (TOA)

Legal authority to incur obligations, make payments, borrow money to make payments, enter into contracts and incur other obligations. The concept is similar to but more inclusive than "budget authority."

TRUST FUNDS

Federal funds used to carry out specific purposes and programs under trust agreements or statutes (social security and unemployment trust funds, for example). These funds may not be used for purposes other than which they are intended unless the Congress specifically authorizes it.

UNEXPENDED BALANCE

The amount of budget authority unspent and still available for future spending; the sum of the obligated and unobligated balances.

UNOBLIGATED BALANCE

The amount of budget authority not yet obligated. In one-year appropriations, this unobligated balance ceases to be available after the end of the fiscal year. In multiple-year appropriations, the unobligated balance may be carried forward and remain available for later obligation.